

STAT

Approved For Release 2003/02/27 : CIA-RDP80T00702A000200020003-4

Next 2 Page(s) In Document Exempt

Approved For Release 2003/02/27 : CIA-RDP80T00702A000200020003-4



Approved For Release 2003/02/27 : CIA-RDP80T00702A000200020003-4
National Foreign Assessment Center

Confidential

Economic Trends in Sub-Saharan Africa

An Intelligence Assessment

Confidential

ER 78-10424
August 1978

Approved For Release 2003/02/27 : CIA-RDP80T00702A000200020003-4

008

25X1

Approved For Release 2003/02/27 : CIA-RDP80T00702A000200020003-4

Approved For Release 2003/02/27 : CIA-RDP80T00702A000200020003-4

CONFIDENTIAL

Economic Trends in Sub-Saharan Africa

*Central Intelligence Agency
National Foreign Assessment Center*

August 1978

Summary

The pace of African economic development has slowed in the 1970s. Excluding oil-rich Nigeria, the sub-Saharan countries have seen their average annual growth rates for gross national product fall by more than 1 percentage point since 1970 compared with the previous decade, to 2.8 percent. The slowdown reflects the slump in demand in the developed countries since the 1973/74 oil price hikes, natural disasters such as drought, and in many cases political turmoil. Africa's performance, moreover, has lagged behind that of other less developed countries in the period, largely because of the relative backwardness of the continent's economic and social infrastructure left over from colonial times, lack of skilled manpower, the small size of its markets, and in some cases a dearth of natural resources, and poor government policies. Combined with high rates of population growth, low economic growth has kept per capita incomes from rising in the 1970s in all but a few African countries.

Civil wars and coups have been major deterrents to economic progress throughout the postcolonial period, and, since 1970, 10 local wars and insurrections have disrupted output. Most of the political turmoil reflects the persistence of tribal and ethnic divisions compared with the concepts and practices of nationhood, which are still new to Africa. Strong personal leadership appears to have been more important in maintaining long-term stability, where it exists, than the development of effective national institutions.

The combination of adverse economic and political factors have put Africa even further behind in the competition for export markets. Production problems have kept export volume growth (including oil) at only about 2 percent annually in the 1970s, compared with 8 percent in all non-OPEC LDCs. While nonoil mineral exports have suffered from sluggish world demand, cash crop shipments have been held back principally by falling output due to climatic conditions, neglect, and in some cases, mismanage-

CONFIDENTIAL

CONFIDENTIAL

ment. Emigration of foreign managers from plantations in major agricultural producing countries such as Zaire and Angola has been particularly devastating.

Getting back into the competition would require replacement of the foreign technical skills and capital that had been provided by the colonial establishment. Despite rapid increases, foreign aid and investment have not regained the scale of colonial inputs, and foreign manpower continues to decline because of the pressure by African leaders to replace foreigners with indigenous personnel. The principal foreign investments are still in the production of raw materials for export in contrast to the growing investment in manufacturing and trade in Asian and Latin American LDCs. A sizable proportion of foreign aid to Africa is now being diverted from building the capital stock to covering foreign exchange deficits.

In a decade or so the African economy will likely look much as it does today. The chronic problems of political turmoil, inexperience in economic management, and scant resources in many countries will continue to be the major obstacles to rapid development. Even in the economies where political factors have a good chance of remaining favorable, Africa's small, fragmented markets and generally unskilled and poorly educated populations will continue to stand in the way of the kind of large-scale foreign investment in modern industries that might stimulate wide peripheral development.

CONFIDENTIAL

CONFIDENTIAL

PREFACE

The recent disturbances in Shaba and elsewhere in Africa* have sparked a renewed interest in the strategic and diplomatic consequences of the continent's serious political and economic problems. Today's concern follows a decade during which interest in this region's difficulties had steadily waned. This paper is aimed at bridging the gap in information on continentwide economic trends since Africa last captured the policymaker's attention. It sheds light on economic changes that have occurred in Africa in the 1970s and puts the economic problems of individual countries into a continental context. The paper identifies major economic trends and indicates how Africa has fared compared with other LDCs. Economic growth patterns in several important countries are examined. Included is a graphical appendix that highlights the principal characteristics of Africa's performance in the postcolonial period.

*The terms *sub-Saharan Africa* and *Africa* in this paper include all continental African countries except South Africa, Namibia, and Arab North Africa—Morocco, Algeria, Tunisia, Libya, and Egypt. They also include the nearby islands of Madagascar, Mauritius, Seychelles, Comoros, Reunion, Sao Tome and Principe, and the Cape Verde Islands.

CONFIDENTIAL

CONFIDENTIAL

Economic Trends in Sub-Saharan Africa

*Central Intelligence Agency
National Foreign Assessment Center*

August 1978

Summary

The pace of African economic development has slowed in the 1970s. Excluding oil-rich Nigeria, the sub-Saharan countries have seen their average annual growth rates for gross national product fall by more than 1 percentage point since 1970 compared with the previous decade, to 2.8 percent. The slowdown reflects the slump in demand in the developed countries since the 1973/74 oil price hikes, natural disasters such as drought, and in many cases political turmoil. Africa's performance, moreover, has lagged behind that of other less developed countries in the period, largely because of the relative backwardness of the continent's economic and social infrastructure left over from colonial times, lack of skilled manpower, the small size of its markets, and in some cases a dearth of natural resources, and poor government policies. Combined with high rates of population growth, low economic growth has kept per capita incomes from rising in the 1970s in all but a few African countries.

Civil wars and coups have been major deterrents to economic progress throughout the postcolonial period, and, since 1970, 10 local wars and insurrections have disrupted output. Most of the political turmoil reflects the persistence of tribal and ethnic divisions compared with the concepts and practices of nationhood, which are still new to Africa. Strong personal leadership appears to have been more important in maintaining long-term stability, where it exists, than the development of effective national institutions.

The combination of adverse economic and political factors have put Africa even further behind in the competition for export markets. Production problems have kept export volume growth (including oil) at only about 2 percent annually in the 1970s, compared with 8 percent in all non-OPEC LDCs. While nonoil mineral exports have suffered from sluggish world demand, cash crop shipments have been held back principally by falling output due to climatic conditions, neglect, and in some cases, mismanage-

CONFIDENTIAL

CONFIDENTIAL

ment. Emigration of foreign managers from plantations in major agricultural producing countries such as Zaire and Angola has been particularly devastating.

Getting back into the competition would require replacement of the foreign technical skills and capital that had been provided by the colonial establishment. Despite rapid increases, foreign aid and investment have not regained the scale of colonial inputs, and foreign manpower continues to decline because of the pressure by African leaders to replace foreigners with indigenous personnel. The principal foreign investments are still in the production of raw materials for export in contrast to the growing investment in manufacturing and trade in Asian and Latin American LDCs. A sizable proportion of foreign aid to Africa is now being diverted from building the capital stock to covering foreign exchange deficits.

In a decade or so the African economy will likely look much as it does today. The chronic problems of political turmoil, inexperience in economic management, and scant resources in many countries will continue to be the major obstacles to rapid development. Even in the economies where political factors have a good chance of remaining favorable, Africa's small, fragmented markets and generally unskilled and poorly educated populations will continue to stand in the way of the kind of large-scale foreign investment in modern industries that might stimulate wide peripheral development.

CONFIDENTIAL

CONFIDENTIAL

PREFACE

The recent disturbances in Shaba and elsewhere in Africa* have sparked a renewed interest in the strategic and diplomatic consequences of the continent's serious political and economic problems. Today's concern follows a decade during which interest in this region's difficulties had steadily waned. This paper is aimed at bridging the gap in information on continentwide economic trends since Africa last captured the policymaker's attention. It sheds light on economic changes that have occurred in Africa in the 1970s and puts the economic problems of individual countries into a continental context. The paper identifies major economic trends and indicates how Africa has fared compared with other LDCs. Economic growth patterns in several important countries are examined. Included is a graphical appendix that highlights the principal characteristics of Africa's performance in the postcolonial period.

*The terms *sub-Saharan Africa* and *Africa* in this paper include all continental African countries except South Africa, Namibia, and Arab North Africa—Morocco, Algeria, Tunisia, Libya, and Egypt. They also include the nearby islands of Madagascar, Mauritius, Seychelles, Comoros, Reunion, Sao Tome and Principe, and the Cape Verde Islands.

CONFIDENTIAL

CONFIDENTIAL

CONTENTS

Summary	i
Preface	iii
Africa and the International System	1
Common Economic Characteristics	2
Political Stumbling Blocks to Economic Progress	3
Economic Growth Performance	3
Employment and Urban Unemployment Trends	9
Agricultural Production Patterns	10
Foreign Trade Performance	11
The Export Record	11
The Import Record	12
Terms of Trade	13
Trade Balances	13
The Foreign Debt	14
The Foreign Economic Role	14
Foreign Aid	14
Foreign Private Direct Investment	15
Foreign Manpower	16
Outlook: More of the Same	16

Maps

Map 1 Sub-Saharan Africa: Military Coups, 1963-78	4
Map 2 Sub-Saharan Africa: Military Governments	5
Map 3 Sub-Saharan Africa: Major Agricultural Activities	6
Map 4 Sub-Saharan Africa: Major Mineral Activities	8

Country Appendix

Oases of Political Stability	19
Ivory Coast	19
Kenya	19
Botswana, Swaziland, and Malawi	20
The Oil Economies	20
Nigeria	20
Gabon	21
The Copper Producers	22
Zaire	22
Zambia	22

CONFIDENTIAL

War Torn Economies	23
Angola and Mozambique	23
Rhodesia	24
Ethiopia	24
Somalia	25
The Least Developed	25
Gambia, Rwanda, and Upper Volta	25

Statistical Tables and Graphics

Table 1 Sub-Saharan Africa: Selected Economic Statistics	27
Table 2 Sub-Saharan Africa: Employment Trends in Selected Countries	31
Table 3 Sub-Saharan Africa: Urbanization Trends and Population Centers	32

Figures

Figure 1 Sub-Saharan Africa: Economic Position in Perspective, 1976	28
Figure 2 Sub-Saharan Africa: Strength in International Organizations	29
Figure 3 Sub-Saharan Africa: Social Indicators	30
Figure 4 Sub-Saharan Africa: Real GNP Growth Trends	31
Figure 5 Sub-Saharan Africa: Agricultural Production Trends	33
Figure 6 Sub-Saharan Africa: Net Grain Imports and Self-Sufficiency	34
Figure 7 Sub-Saharan Africa: Share of World Export Market for Selected Cash Crops	35
Figure 8 Sub-Saharan Africa: Major Export Commodities	36
Figure 9 Sub-Saharan Africa: World Export Markets for Primary Products	37
Figure 10 Sub-Saharan Africa: Export Volume Trends, 1971-76	38
Figure 11 Sub-Saharan Africa: Import Volume Trends, 1971-76	39
Figure 12 Sub-Saharan Africa: Terms of Trade, 1971-76	40
Figure 13 Sub-Saharan Africa: Selected Trade Balances (f.o.b./c.i.f.)	41
Figure 14 Sub-Saharan Africa: External Debt Position	42
Figure 15 Sub-Saharan Africa: Major Foreign Aid Recipients and Donors, 1976	43
Figure 16 Sub-Saharan Africa: Change in the Stock of Foreign Private Investments	44
Figure 17 Sub-Saharan Africa: European and American Populations in Selected Countries	45

CONFIDENTIAL

Economic Trends in Sub-Saharan Africa

Africa and the International System

In the past 25 years, 45 sub-Saharan African countries have joined the ranks of independent nations. Combined with the two already self-governing states—Ethiopia and Liberia—the region now includes 40 percent of all LDCs.* Because of the sheer number of states, Africa plays an important role in international institutions in which each country has equal representation—the United Nations General Assembly and the Group of 77.

Many of these states are politically unstable, and most have fragile economies that are dependent for development on foreign investment and aid. This makes them particularly vulnerable to outside interference. Twice in the past two decades—Zaire in the mid-1960s and Angola and Ethiopia more recently—East-West conflicts precipitated by Soviet-backed interference in domestic turmoil have brought Africa to the forefront of global attention.

By almost any measure other than the number of countries, the region plays a small role in the global or even the LDC context. It accounts for less than one-sixth of the total LDC population and for less than one-tenth of LDC GNP and trade. The total output of African goods and services only approximates that of Romania or a combination of Argentina and Chile. African exports (nonoil) about equal those of Australia.

Sub-Saharan countries are below the LDC average by all measurements of living standards. Africans do best in per capita calorie consumption, averaging 92 percent of daily requirements versus an LDC average of 97 percent. Africans live about 10 years less than citizens of other LDCs and have higher infant mortality rates and fewer physicians and hospital beds. Africa's low starting point is shown by school enrollment and literacy rates. Only 30 percent of school-age children take lessons compared with one-half in all LDCs; moreover, only 18 percent of Africans have some basic literacy while the LDC average for literacy is 40 percent.

Despite these discouraging statistics, Africa has improved living standards in the past decade. Literacy rates have doubled from 9 percent in 1960, and life expectancy has gone from 37 years at birth to 43 years.

* See the appendix for statistical material illustrative of trends discussed in the text of this paper.

CONFIDENTIAL

CONFIDENTIAL

Common Economic Characteristics

Economic similarities among sub-Saharan Africa's 47 states are striking. All are poor and backward. The bulk of the population work the land by primitive means, producing only enough food to maintain a bare subsistence living. Per capita GNP in most instances falls below \$300 a year. Africa has proportionately the smallest and most rudimentary cash economy in the world and is the least able to develop rapidly through its own means. It lags far behind Asia, Latin America, and the Middle East in the availability of domestic expertise to manage and operate a modern economy.

Sub-Saharan Africa's economic importance to the rest of the world is mostly as a source of primary products, a position that has changed little since independence. Raw material exports in turn are Africa's principal source of cash incomes. Sub-Saharan countries have little economic contact with one another, and their own markets are very limited. Accordingly, sales abroad are the main determinants of the size and rate of growth of their economies.

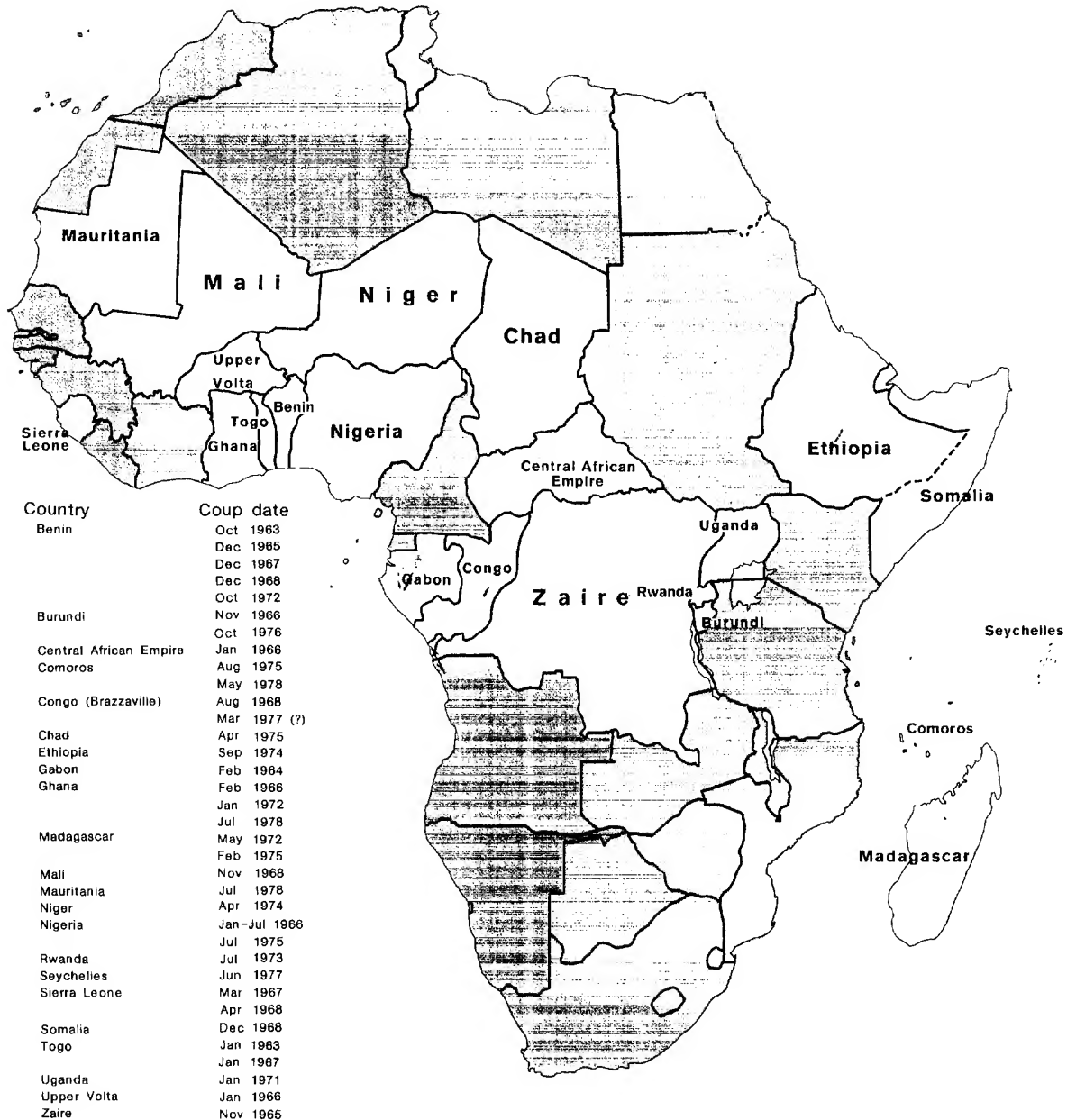
By far the bulk of overseas exports are from mining or oil-producing enclaves. The copper facilities in Zambia and Zaire, for instance, account for most of those countries' exports. Additional exports are gathered in small lots from numerous farmers who sell some of their output to pay school taxes or buy inexpensive consumer goods. Many of the countries that have significant numbers of African farmers devoting most of their efforts to cash crops, such as Ivory Coast, Kenya, Malawi, and Swaziland, have made the most progress in broad-based development.

Sub-Saharan Africa shares a number of problems with other LDC regions, notably rapid population expansion and urban overcrowding. Infant mortality has fallen steeply in recent years, and population growth (3.0 percent) now is exceeded only by that in the Middle East and North Africa (3.4 percent). As a result, roughly 45 percent of the population is under the age of 15 and only 5 percent is more than 60 years old. Twenty-five African countries, including Burundi, Chad, Gabon, Mozambique, Nigeria, Upper Volta, and Zaire, have urbanization rates more than double their population growth rates. Despite this rapid expansion, African cities remain comparatively small; only two—Lagos and Kinshasa—have a population of more than 1 million.

Despite its low level of development, Africa is spared some serious problems that other less developed areas face. Sub-Saharan Africa's vast size—more than twice that of the 50 American states—saves it from the agonizing overpopulation problems that face Asian and Latin American countries. Population density equals about 15 persons per square kilometer, compared with more than 50 in Asia. Moreover, there are almost none of the economic and social problems created by a land-owning elite such as those in Latin America and parts of Asia, with the result that there is a greater potential for farmer initiative in Africa.

CONFIDENTIAL

SUB-SAHARAN AFRICA: Military Coups, 1963-78



576728 8-78

CONFIDENTIAL

CONFIDENTIAL

Political Stumbling Blocks to Economic Progress

At independence, most African countries inherited the distinctive problems of tribalism, language differences, and country borders that artificially divided tribes. The resulting political turmoil has been a major factor inhibiting economic development of the sub-Sahara. The region's internal conflicts have taken many forms, ranging from civil wars (in Nigeria, Ethiopia, Sudan, Chad, Angola, Western Sahara, Zaire, and Burundi) to coups (in 22 countries) to recurring waves of riots and antigovernment protests (especially in Ethiopia, Nigeria, Ghana, Mozambique, and Zaire). Such strife reflects the profound ethnic, regional, and social tensions that have plagued efforts throughout the region to create coherent nation-states in the aftermath of colonialism and tribal warfare.

For most African leaders, political power has had to come from the barrel of a gun; 16 countries of the region are run by military committees or have military heads of state or government and military-dominated Cabinets. In these countries, stability has come through the repression of political opposition or with the decisive (and often bloody) victory of one ethnic or social group over another.

In those countries where the leadership has managed to achieve a legitimacy which transcends social and ethnic differences (for example, Kenya, Tanzania, Zambia, and Senegal) such legitimacy is based more on strong personal leadership than on widespread popular political mobilization or the development of effective national institutions. With a few exceptions (Ivory Coast, Swaziland, Botswana, Malawi), however, such "stability" has done little to improve government management of economic enterprises or to foster development. In large part this reflects a much greater preoccupation with maintaining power than dealing with the problems of economic development.

Economic Growth Performance

The numerous political disruptions in the nearly two decades since independence have helped to dash the hopes of most sub-Saharan governments for achieving rapid economic growth. The region's aggregate gross national product (GNP) since 1970 has risen only 4.0 percent a year on average, substantially below the 6.9-percent annual average for LDCs as a whole. The performance would have been much worse—only 2.8 percent a year—except for the oil-fueled growth splurge by Nigeria, which now accounts for 30 percent of sub-Saharan GNP.

Growth in agriculture in particular has lagged. Beset by disease, drought, and in many cases governmental mismanagement and guerrilla warfare, agricultural output has risen only 1.4 percent a year since 1970 in Africa, compared with a 3.8-percent average annual growth rate in all LDCs. Starting from a lower base than in most of the Third World, real growth in

CONFIDENTIAL

CONFIDENTIAL

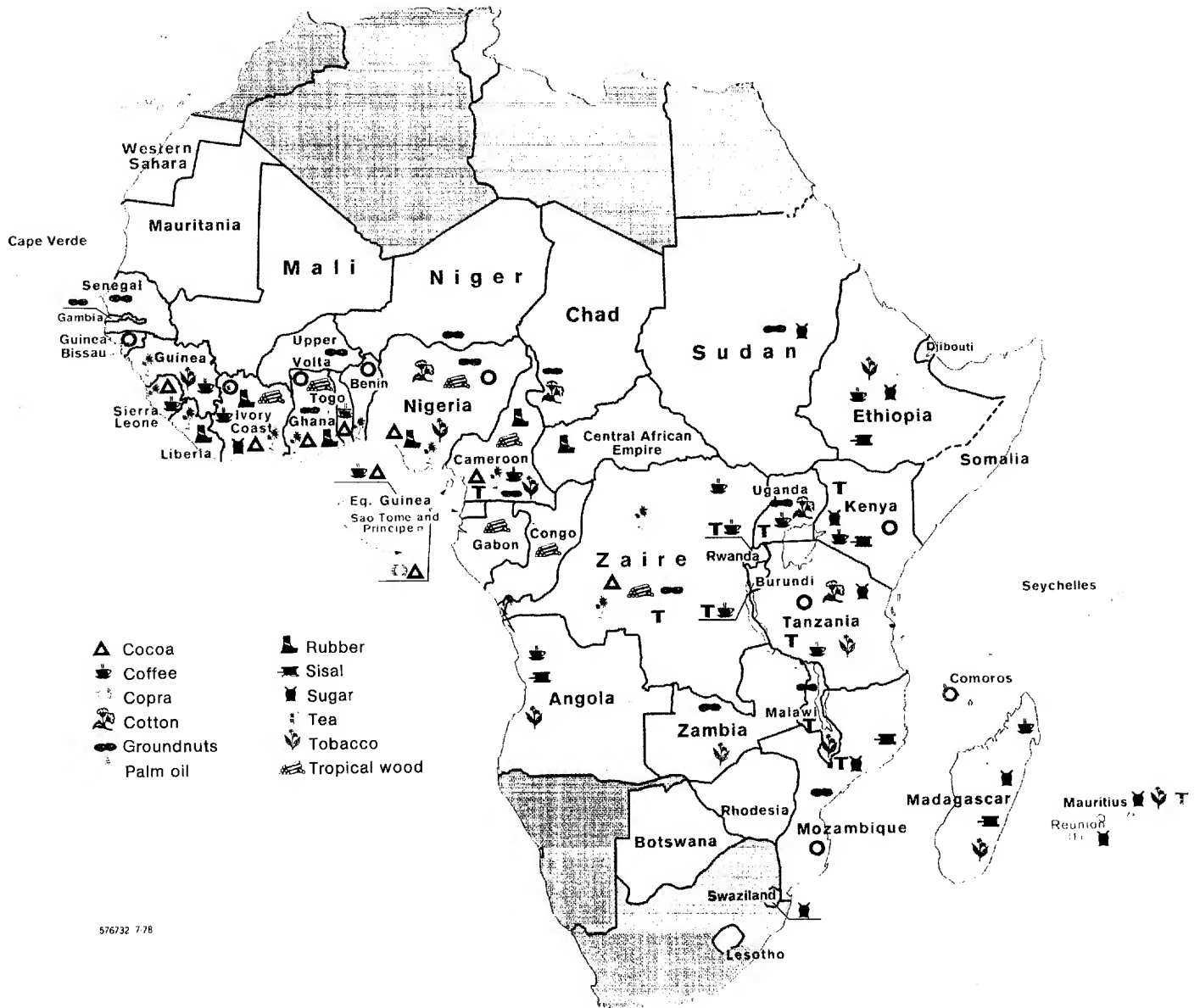
SUB-SAHARAN AFRICA: Military Governments



CONFIDENTIAL

CONFIDENTIAL

SUB-SAHARAN AFRICA: Major Agricultural Activities



CONFIDENTIAL

CONFIDENTIAL

African manufacturing output has been closer to the LDC average—6.7 percent annually versus 7.1 percent. As for nonoil minerals, output of African copper and zinc has grown less rapidly than production of these commodities in other LDCs; bauxite has performed relatively well due solely to increases in Guinean mining activity.

Since 1970, the African development effort has lost ground, with GNP growth decelerating in many sub-Saharan countries. The growth rates of Togo and Mauritania, which had been pushed up by large mining projects, have fared the worst, dropping from about 15 percent a year in the 1960s to only 2.2 percent annually since 1970.

Most African countries have suffered from the slump in demand in the developed countries since 1973. Prices for several important African commodities—such as copper and sisal—have lagged, cutting into Africa's ability to pay for foreign goods, while inflation in the developed countries has increased the cost of imports needed for development. In addition, many sub-Saharan countries—except for oil-producing Nigeria, Gabon, Congo, and Angola—have seen their net oil import bills rise dramatically since 1973, further reducing their ability to finance imported investment goods.

The sub-Sahara's generally low rates of GNP growth relative to other LDCs coupled with the population's rapid growth are obstacles to increasing per capita income. Of the 37 sub-Saharan African countries for which data are available, 21 have stayed at the same level of per capita income since the early 1970s, nine countries have experienced a slight drop in income, and seven have had small income gains over the period.

Among the nine countries that have experienced high growth rates (5 percent or above) since 1970, only Botswana, Swaziland, Malawi, and Ivory Coast have been able to extend some of the benefits of economic development to their people. All four have increased their real per capita GNPs and have drawn a large number of small farmers into the cash economy, improving the average citizen's standard of living. In urban areas, the evidence of rising standards shows up in improved housing—corrugated metal roofs, glass windows, screened doors, and at least some furniture—and by better paved and maintained streets and public buildings. In the countryside, machine-manufactured handtools such as hoes and shovels are seen, as well as occasional farm tractors, rubber-tired trailers, and owner-operated small trucks.

Other countries in the high growth category have all depended on one or two major commodities to spark growth, and economic development has been largely confined to those sectors. They include oil in Gabon and Nigeria, which provides about one-third of GNP; and bauxite in Guinea, which accounts for one-fifth of GNP. Mauritius relies on sugarcane cultivation and sugar milling for about 30 percent of its GNP, while its export-processing zone accounts for 12 percent of national output.

CONFIDENTIAL

SUB-SAHARAN AFRICA: Major Mineral Activities



CONFIDENTIAL

CONFIDENTIAL

Several countries have dropped out of the high growth category since 1970. In some cases this has been due to the completion and coming onstream of large-scale projects that had sustained construction and other ancillary activities, such as the development of iron mines in Mauritania, phosphates in Togo, and the construction of the Tan-Zam Railroad in Tanzania. Angola and Mozambique fell behind during their violent transition to independence and the subsequent flight of expatriates who managed the economies.

Most of the countries averaging an average annual GNP growth of less than 3 percent are located in the Sahel region of Africa, which has been plagued periodically by drought since the late 1960s. Of the other countries in the very low growth category, six have been caught up in wars or insurrections. Several others are subject to very unstable political conditions that are having an adverse effect on the economy—the prime example being Uganda. Yet others—notably Zaire and Zambia—have suffered from the overdependence on one commodity, especially one such as copper that is affected by sharp fluctuations in world demand.

Employment and Urban Unemployment Trends

The movement of Africans into the modern economy has been spotty during the 1970s. The growth in wage and salary jobs has barely exceeded that in the combined GNPs of the sub-Saharan countries since 1970. Throughout the continent, the government continues to serve as the major urban employer, and the swollen bureaucracies are major obstacles to improving Africa's low level of bureaucratic efficiency and to reducing costs. Besides government, plantation agriculture, light manufacturing, and tourism employ most of the 20 percent of the population not dependent on subsistence farming for jobs.

Employment gains have been concentrated in a few countries. Nigeria, the most populous African state, holds one-third or more of the jobs in the modern sector of the sub-Sahara. Although interrupted by the civil war, the number of job opportunities in Nigeria has been increasing since the onset of commercial oil production in the late 1950s, though population increases far exceed job opportunities. Western investment, principally French, has produced a steady gain in slots in Ivory Coast. Eastward, Malawi and Mauritius have been offering new jobs, following much less satisfactory conditions in the 1960s. In contrast, Zaire and Uganda have been losing ground because of the dampening impact of government policies on foreign investment, particularly in commercial farming. Uganda, Angola, and Mozambique have suffered from the mass emigration of their principal entrepreneurial and commercial groups.

Though job opportunities are few, urban amenities continue to draw potentially active people into the cities. Once they have left their farms, most

CONFIDENTIAL

CONFIDENTIAL

Africans prefer to remain unemployed city dwellers seeking jobs while earning some income as petty traders or from occasional wage labor rather than return to more primitive rural areas. Many survive by living with employed relatives who are obliged by custom to help support their less fortunate kin. Urban unemployment is worsening, although it is still much less extensive than in the shanty towns of Asia and Latin America.

Agricultural Production Patterns

Agriculture, the bulwark of the African economy, has experienced small production increases in most years since the early 1960s. Although per capita output has declined in the face of increased population and urbanization, food production generally is adequate to supply the rural areas. In recent years, shifting consumer preferences for wheat products—mainly among urban dwellers—has led to increased grain imports. At the same time cash crop production declined 15 percent between 1970 and 1976 as a result of governmental neglect, unfavorable weather conditions in some countries, and slack world producer prices for some commodities. Although a small share of total agricultural output, cash crops such as coffee, cocoa, and sisal are the focus of modern agricultural priorities in Africa and major sources of foreign exchange. With output of tropical cash products flagging and competition from Southeast Asian countries on the rise, Africa has lost ground in the world markets it once dominated.

Progress in sub-Saharan agriculture often has been limited by governmental disinterest. Some African countries have even adopted policies that have discouraged agricultural production. For instance, by keeping producer prices low, governments in several countries including Nigeria, Senegal, and Mali have helped shift income differentials in favor of city employment. Hence, the labor costs of planting and harvesting have risen more than the government farm subsidies needed to help cover costs.

Many agricultural extension services have been underfunded and undermanned and, in some cases, have ignored the small-scale units that make up the bulk of African farms. Plantation agriculture instead often has received the lion's share of benefits from government investment in infrastructure and agriculture. Moreover, where the focus of agricultural development schemes and extension services have been on small farms, it has on occasion been ill-tailored. For example, most programs concentrate on education and skills for men whereas women do most of the planting, weeding, hoeing, and harvesting. As a result, information on high-yielding seeds and plants and on new techniques does not get into practice readily.

Although not often given the opportunity, the African farmer has shown eagerness to adopt new farming practices. Many sub-Saharans abandoned traditional food production and adopted new crops such as cotton and tea during the period of European colonization. More recently, in many countries,

CONFIDENTIAL

CONFIDENTIAL

they have replanted with new higher-yielding strains of cocoa and rubber trees, invested in fertilizers and pesticides, and adopted new plant varieties.

A few countries such as Ivory Coast, Kenya, and Malawi have made a concerted effort to invest in agriculture as a road to economic development. Kenya, for example, has developed a unique system that favors farmers who have demonstrated the ability and willingness for self-help. These so-called "master farmers" have preferential access to credit for fertilizer purchases, high-yielding seed varieties, and help from the agricultural extension service on farm planning and other matters. Nairobi's well-thought-out farm policy has allowed Kenya to become the only sub-Saharan country (outside of Rhodesia) capable of producing surplus grain.

Agricultural output has declined or stagnated in several countries in recent years. Angola and Mozambique have seen their farm production decimated by war and the mass exodus of Portuguese farmers. Poor management, lack of investment in new trees and fertilizer, and low producer prices have cut Zaire's, and hence Africa's, share of the world palm oil market. Nigeria, self-sufficient in food production until the 1967-70 civil war, is now a food importer and has ceased exporting peanuts. Postwar Nigerian agricultural recovery was interrupted by recurrent problems of drought and by the 1973/74 boom set off by the fourfold increase in oil prices, which encouraged many farmers to abandon the land.

Foreign Trade Performance

Management problems in agriculture, the slump in world demand for major African exports, and steep rises in import prices have undermined Africa's trade performance. The only dynamic element in the region's trade in recent years has been the sharp rise in oil exports, which at \$11 billion in 1976 accounted for nearly one-half of the region's export earnings. Nonoil exports—largely industrial diamonds, copper, iron ore, uranium, bauxite, coffee, cocoa, peanuts, and palm oil—more often than not have stagnated or declined in volume terms since the start of the 1970s, causing Africa's share of world commodity exports to plummet. Although a few processed minerals and agricultural products such as aluminum and rubber are sold abroad, sub-Saharan Africa has not yet reached the stage of manufacturing for export. The few goods that are fabricated are for local consumption, such as building materials, foods, and clothing. The major import needs of Africa's developing countries are manufactures, machinery, cars, and transportation equipment in general.

The Export Record

Africa's export performance has lagged well behind that of other developing regions since the start of the 1970s. Although export receipts rose twofold between 1970 and 1976, the gain reflected (a) higher oil export

CONFIDENTIAL

earnings and (b) higher prices for nonoil exports. Sales volume growth, including oil, averaged only about 2 percent annually compared with 8 percent for all non-OPEC LDCs. Nigeria, Gabon, and Congo did well on the strength of increased oil shipments; among countries without oil, only Ivory Coast managed to boost export volume faster than the LDC average.

Exports of African-grown agricultural products have done poorly. The world market shares of almost all agricultural products declined between 1970 and 1976, with peanut shipments registering one of the steepest drops—from 72 percent in 1969-71 to 49 percent in 1975-77. Low prices paid to producers in key peanut-growing countries, particularly Nigeria, and drought and disease have cut output. Like peanuts, Africa's share of the coffee export market has dropped, although the value of coffee has risen substantially in recent years. In the case of palm oil, production declines have reduced Africa's share of world export markets to less than 10 percent, compared with 50 percent in the early 1960s. Exports of a few minor products such as tea, tobacco, and hides have risen rapidly, but the total value of these sales remains small.

Nonoil mineral exports have suffered from sluggish growth in world demand, especially since the 1974-75 recessions in the major developed countries. In the case of copper, African exports have failed to keep pace with global import demand because of competition from lower cost producers. Variable production costs for copper, for example, average more than 60 cents a pound in Zambia compared with 50 cents in Chile. The loss of Zaire's copper production caused by the recent Shaba invasion is at least temporarily reducing Africa's share of the world copper market even further. Although iron ore exports have declined in recent years, major African suppliers—Liberia, Mauritania, and Swaziland—have managed to expand their share of the world market, continuing a trend begun in the mid-1960s. The same is true for bauxite coming from Ghana and Guinea.

So far Africa does not appear to have benefited much from the potentially stimulating effects of preferential access to major foreign markets provided under several international agreements. Almost all African states are covered by the 1975 Lome Convention,* which gives duty-free treatment to all industrial products and most of Africa's agricultural exports to the EC. The only major commodity not covered is sugar, which is handled by separate trade protocols. Practically all African states now are eligible for the Generalized System of Preferences (GSP) granted by major industrial countries, including the United States and Japan.

The Import Record

African countries have experienced rapid growth in both volume and value of imports over the last few years. Much of the volume increase reflects

* African countries make up 42 of the 53 LDC signatories of the Lome Convention.

CONFIDENTIAL

increasing food deliveries, particularly to the drought-ridden countries of the Sahel and to Nigeria, Zaire, Angola, Mozambique, and others where neglect and mismanagement have cut into yields. On top of food, capital imports for development projects have been increasing, particularly in Nigeria and the other oil-producing countries, and demand for automobiles, radios, and other finished consumer goods has been rising. Much of the value growth has reflected the rising price of petroleum as well as inflation in developed countries, which are Africa's main import suppliers.

Terms of Trade

The number of sub-Saharan countries benefiting from trade price movements since the start of the 1970s about matches the number hurt. The largest gainers have been Nigeria, Gabon, and Angola, whose terms of trade benefited enormously from the rise in oil export prices. At the other extreme, African mineral exporters saw their terms of trade deteriorate, sometimes severely, because of stagnating or declining export prices. Copper-producing countries—Zambia and Zaire—were hardest hit, with prices for their chief export down 10 percent in 1975-76, compared with average prices in 1969-71, while their import prices more than doubled. Agricultural exporters have done fairly well on the price front with unit prices for coffee, cocoa, palm, and peanut products rising sharply in recent years.

The African experience with import prices in the 1971-76 period mirrored that of other developing country regions. Except for the differential impact of OPEC price hikes, on average, import price increases for individual African countries ranged from 90 percent to 125 percent over the six-year period, with the larger oil importers absorbing the steepest increase. In some cases, the resulting payments problems forced at least temporary reductions in the volume of imported goods. The most severe import reduction, however, occurred in Mozambique and Angola, reflecting the economic dislocations associated with the shift to independence and exodus of large numbers of Portuguese.

Trade Balances

Considerable variation exists among the trade balances of the sub-Saharan countries. Reflecting adverse terms-of-trade movements, copper-producing Zaire and Zambia have seen substantial worsening in their foreign trade accounts since 1970; for several years both countries have been in arrears on import payments, severely damaging their international credit ratings. Kenya and Tanzania continue in regular deficit, while the Sudan's ambitious development program has led to a deficit requiring bailout aid from the IMF. At the other extreme, Nigeria and Gabon have benefited from the oil bonanza, showing growing trade surpluses through 1976. In that year, Nigeria alone netted enough on its trade account—\$1.9 billion—to more than offset the trade deficits of other sub-Saharan countries.

CONFIDENTIAL

The Foreign Debt

The external debt of problem sub-Saharan countries taken together amounts to \$15 billion, less than 10 percent of the non-OPEC LDC total. Four countries—Zaire, Zambia, Gabon, and Sudan—account for nearly one-half of the total. Moreover, the high proportion of concessional aid in the debt of most African states has kept the rate of increase in service payments since 1973 the lowest on average of any Third World region. As a result, debt service ratios for all but a few sub-Saharan countries are well below the 15-percent average for all LDCs. The most notable exceptions are Zaire and Sudan, with debt service ratios exceeding 20 percent.

Although debt service schedules for most of the African states have remained low because of grants and concessional aid, repayments on private credits have become troublesome in several cases. Altogether, borrowing on international financial markets—mostly by Zaire, Zambia, Kenya, and Ivory Coast—has averaged \$60 million annually in recent years. Even in the extreme cases, however, the proportion of private lending in the stock of external debt is quite small. At this point in time only three African states—Zaire, Zambia, and Sudan—are having trouble meeting foreign debt obligations.

The Foreign Economic Role

Both aid and investment flows have increased in the 1970s. On the other hand, the role of foreign manpower has tended to decrease since many European settlers left Africa at independence because of uncertainty about economic prospects under the new regimes. Yet, foreign funds and manpower remain key to prospects for economic development in the sub-Saharan countries. Foreign aid is essential to progress in social services, to management of foreign debt, and to major infrastructural projects such as irrigation and transport facilities. With institutions to tap scarce domestic resources just emerging, foreign funds finance more than one-fifth of total investment in sub-Saharan Africa. Experienced managers and technical experts from the developed countries are in demand to help organize and expand the small, modern sector of most countries.

Foreign Aid

Gross aid (grants and medium- and long-term credits) disbursed to sub-Saharan Africa in 1976 approximated \$5 billion, several times that in 1970. Indeed, Africa now receives twice as much foreign economic aid per capita than the average for all less developed regions—\$14 versus \$7. Most of the foreign assistance is used to develop infrastructure and to maintain schools, health, and other social services. A sizable proportion also has been required to cover foreign exchange requirements. Adverse commodity price movements

CONFIDENTIAL

and, in some cases, excessive government spending have upped the need for balance-of-payments support in countries including Zaire, Ghana, and Sudan.

As a group, DAC countries have responded positively to sub-Saharan Africa's requirements for grants and concessional aid. In the 1970s, grants that amounted to more than \$1.6 billion in 1976 have consistently accounted for about half of total aid. In 1971-76, the proportion of concessional aid from DAC to Africa rose 10 percentage points, to 28 percent, or about \$2.4 billion in 1976. DAC members also have provided considerable aid on concessional terms through multilateral agencies, which in 1976 channeled about one-third of their total aid to sub-Saharan Africa—the largest share of any single region. US bilateral aid of about \$300 million in 1976 accounted for 6 percent of total foreign assistance to Africa. Resource flows from OPEC countries are becoming increasingly important, reaching some \$400 million annually in recent years.

The Francophone countries including Reunion are the largest aid recipients, receiving almost 40 percent of the sub-Saharan total. For the poorer of this group these flows are essential to maintaining basic levels of nutrition and to supporting the bureaucracies that in turn provide the main product demand that supports the small modern economic sectors. The net cost of aid to the French balance of payments is small because of offsetting exports to the ex-African colonies and the sizable earnings repatriated by Frenchmen serving in them. In contrast, the former British colonies receive much of their aid from multilateral institutions, although bilateral assistance is still important. Angola and Mozambique together currently receive \$100 million to \$200 million annually in foreign assistance, including food aid from the West.

Foreign Private Direct Investment

The interest of American and European—mostly British and French—investors has focused increasingly on the primary products of sub-Saharan Africa. Petroleum, industrial diamonds, copper, iron ore, uranium, bauxite, and agricultural products such as coffee, cocoa, and palm oil continue to attract most of the foreign investment. Among these, petroleum has held the most promise in recent years. The stock of foreign investment in Nigeria has more than doubled since the mid-1960s due to investor response to the world demand for oil; throughout sub-Saharan Africa the value of investment has risen by 60 percent.

The focus on primary products contrasts sharply with foreign investment patterns elsewhere. In Asia, private foreign investment gravitates toward agriculture and manufacturing. South America attracts a mix of investment in extractive industries, manufacturing, and trade. In Western Europe,

CONFIDENTIAL

CONFIDENTIAL

manufacturing alone attracts the bulk of foreign investment. Investment outside of mineral resources and other primary products in Africa has been inhibited by the small and poor markets of most African countries.

About half of the foreign private investment in sub-Saharan Africa is in Nigeria, Zaire, Liberia, and Gabon. These four countries together account for about the same share as in the 1960s. Zambia, however, which exceeded all but two countries earlier, now is far from the center of foreign investor interest. With nationalizations, Zambia's stock of foreign investments fell from \$420 million to \$300 million.

Foreign Manpower

Sub-Saharan Africa has depended more than any other continent on foreigners for technical skills. For instance, almost half of the technically skilled in Kenya are foreigners; in some countries the percentage is even higher. In LDCs elsewhere, foreigners constitute usually around 1 percent of high-level manpower. Traditionally, skilled and professional foreigners have been Europeans and, to a lesser extent, Americans. Levantines and Asians move much of Africa's trade.

Since independence African leaders have been under pressure to replace foreigners with indigenous talent. Those in trading positions are considered most expendable because their jobs can be filled without extensive schooling. Nevertheless, the pyramid-shaped employment structure with Europeans at the top has changed little in recent years. Many countries have given only lipservice to Africanization. For instance, after it nationalized its copper mines, Zaire invited Union Miniere to stay in a disguised management role. Numbers of foreigners in Gabon, Ivory Coast, and Nigeria have even increased in recent years, reflecting good times as well as the lack of indigenous skills.

The non-African presence in several countries is, however, decidedly on the wane. Zambia has lost foreigners because of nationalization of the mining industry and a policy of Zambianization; until recently non-Africans held most highly skilled and lower level jobs in Zambia. Angola and Mozambique lost the bulk of their European populations when they changed their status from Portuguese possessions to independent states. Change in the employment structure over the next decade probably will continue to be slow because college students still emphasize traditionally prestigious arts and science courses rather than the hardcore engineering and technical skills needed for industrial development.

Outlook: More of the Same

In a decade or so the African economy probably will look much as it does today. The chronic problems of political turmoil, inexperience in economic

CONFIDENTIAL

CONFIDENTIAL

25X1A

*The author of this paper is [redacted] Office
of Economic Research. Comments and queries
are welcome and should be directed to Ms.*

[redacted]

25X1A

CONFIDENTIAL

CONFIDENTIAL

management, and scant resources in many countries will continue to be major obstacles to rapid development. Even in the economies where political factors have a good chance of remaining favorable, the sub-Sahara's small, fragmented markets and generally unskilled and poorly educated populations will continue to stand in the way of the kind of large-scale foreign investment in modern agriculture and industry that might stimulate wide peripheral development. Meanwhile, slowed economic growth in the developed countries will limit both demand for key African products and prospects for substantial expansion of aid flows. Given the slowness of industrial job growth and the continuing rapid population expansion, the proportion of subsistence farmers in Africa is not likely to fall much below 80 to 90 percent any time soon.

The stable political conditions needed to foster steady economic progress in particular are likely to be lacking in the next several years. The outlook for southern Africa is especially dim. Tensions in the Horn are unlikely to abate much in the near future, and hostilities between Chad and Libya and Mauritania, Morocco, and Algeria could escalate. With the sub-Sahara's record to date, coups can be expected in any number of countries. In some countries that are relatively stable politically, policies of indigenization and a general desire to go it alone may continue to turn off the foreign investment that could speed up the development process.

Even in the unlikely event of a turnaround in political and management deficiencies in the larger resource rich states, such as Nigeria and Zaire, poor prospects for production and for international markets for major commodities will dampen any new large growth spurts. Technical exploration and production limitations, for example, are expected to hold Nigeria's oil production at 2.3 million to 2.4 million b/d through the mid-1980s, only slightly above last year's average of 2.1 million b/d, while exports will decline as increasing amounts are diverted to domestic consumption. Large international copper stocks and excess production capacity among major world producers will continue to hold copper prices down, dampening Zaire's foreign exchange potential.

In a few countries, temporary growth spurts on the pattern of Mauritania and Togo in the 1960s are likely as one-time mining projects are brought onstream—uranium development in Niger, bauxite and iron ore in Guinea, and perhaps diamonds in Lesotho. The new income, however, will be slow to work its way through to the bulk of the population, and growth can be expected to plummet again as these developments are completed.

CONFIDENTIAL

CONFIDENTIAL

COUNTRY APPENDIX

Oases of Political Stability

Ivory Coast

Ivory Coast's impressive 7- to 8-percent economic growth rate since independence in 1960 largely reflects the political stability provided by President Houphouet-Boigny, which has attracted substantial inflows of French money and personnel. Despite sharp fluctuations in world demand for many of its products and the overall downward trends in Africa, Abidjan has been able to increase its world market share of several agricultural products in recent years, notably cocoa and coffee. Aggressive marketing practices by foreign-run semipublic companies have helped expand exports while at the same time permitting the output of small-scale African producers to grow along with production from foreign-owned plantations.

Economic growth prospects over the next several years are less favorable. Massive government spending associated with an ongoing \$4 billion development drive has brought a hefty jump in consumer prices (20 percent in 1977) and a soaring foreign debt. Since 1974, the government's foreign debt has almost tripled, to \$1 billion; at the end of last year, Abidjan's foreign debt payments accounted for nearly 15 percent of foreign exchange earnings. By the early 1980s, Ivory Coast may be forced to divert as much as one-fourth of its export revenues to servicing public foreign debt.

Kenya

Much of Kenya's economic success—reflected in a relatively steady 5-percent annual increase in GDP since 1960—is due to the political continuity provided by President Kenyatta as well as the President's adroitness in holding tribal rivalries in check. The stable political climate has fostered a tourist boom as hordes of foreign visitors have been attracted by Kenya's natural beauty and well-run game reserves. Until the dramatic rise in coffee prices in 1976, tourism was the country's number one foreign exchange earner. The border closure with Tanzania in 1977 has dampened tourism somewhat. The favorable political situation also has attracted substantial foreign investment in agriculture and import-substitution industries as well as in tourism.

Despite the growth of new industries in the past decade and a half, Kenya remains primarily an agricultural country. Up to 1977 when Nairobi changed its corn export policy in order to build up domestic stockpiles, Kenya was the only African country outside of South Africa and Rhodesia to be a net grain exporter. Most Kenyan farmers do some cash cropping, and many of them own their own farms due to a unique resettlement fund established by the British at Kenya's independence.

CONFIDENTIAL

CONFIDENTIAL

Until the collapse of the East African Community in 1977, Kenya also served as a regional headquarters for East African services such as ports, post, communications, and transportation. This open trading area broadened the domestic market and helped Kenya maintain a sizable balance-of-payments surplus. Its breakdown, along with a recent softening in tourist and coffee receipts, could lead to a payments deficit in 1979. Nevertheless, barring a change in the political climate, Kenya's economic outlook continues generally more favorable than that of most of its African neighbors.

Botswana, Swaziland, and Malawi

Since the early 1960s, Botswana and Swaziland have experienced average annual economic growth rates of more than 7 percent; Malawi began to enjoy similar growth rates around 1970. All three countries are small with almost no industrial base. Their primarily agricultural economies have benefited from stable political climates, government policies favoring agriculture, and from the foreign exchange earned by exporting labor to South Africa. All three countries export food and cash crops to South Africa and Western Europe. Botswana has gotten a large extra boost from mining, notably diamonds, copper, and nickel.

Agriculture has provided the main spark for economic expansion in Malawi and has been a major contributor in Botswana and Swaziland. The government of each country has focused investment on providing agricultural extension services, credit to farmers, and the infrastructure needed to transport farm output to markets. The three countries have been able to keep producer prices high enough—partly because of their proximity to the South African market—to induce farmers to sell their crops for export. Several large agricultural schemes with international backing also have opened in Swaziland and Malawi.

Another major factor in the development of the three countries has been the importance of South Africa as an outlet for surplus labor. Large numbers of citizens work in South Africa and repatriate their earnings, providing a large and fairly regular inflow of foreign exchange. For example, in Malawi's peak year for workers' remittances, 1975, \$35 million—30 percent of income from merchandise exports—was repatriated. Economic progress in these three countries will, to a considerable degree, continue to depend on political and economic developments in South Africa in the next several years.

The Oil Economies

Nigeria

Since the start of commercial oil production in 1958, Nigeria has been in gradual transition from a largely subsistence economy to the early stages of industrialization and urbanization. Following a devastating civil war in 1967-

CONFIDENTIAL

CONFIDENTIAL

70, the economy has grown rapidly, spurred first by reconstruction and later, in 1974, by the fourfold leap in world oil prices. Oil now dominates the economy, while agriculture has been neglected and has failed to keep pace with the growth in population. Nigeria, once self-sufficient, has become a major importer of foodstuffs.

Caught up in the 1974 oil boom, Lagos, like other OPEC members, drew up a massive development program to diversify the economy into heavy industry, consumer manufactures, and social services. The associated public investment program has been the chief force behind both the 7.5-percent average real GDP growth rate from 1975 to 1977 and the 35-percent annual inflation rate.

Lagos is now moving into a period of economic retrenchment as oil revenues are increasingly unable to finance the country's enormous development needs. Unless the government can shortly provide adequate financial incentives for exploiting deepwater reserves, petroleum output in the next several years will be limited to levels only slightly above 1977's 2.1 million b/d. Revitalizing the agricultural sector, meanwhile, will require a more substantial shift in priorities than the government has been willing to make. Further complicating the picture could be the government's inability to make critical economic policy decisions during Nigeria's transition to civilian rule. Campaigning—scheduled to begin in October—is likely to heighten rivalries among tribal groups, and the question of how the economy should be managed could become one issue of contention.

Gabon

Gabon is well endowed with natural resources, including petroleum, manganese, uranium, and timber. Reflecting the rich resource base and economic policies that have encouraged private foreign investment, the Gabonese economy has expanded rapidly during the 1970s. Per capita GDP is more than \$2,000, the highest in sub-Saharan Africa. With the quadrupling of world oil prices in 1973-74, petroleum has become the major source of Gabon's wealth, providing around one-third of total national output and three-fourths of export earnings. Oil revenues also are financing a substantial share of a \$6 billion development program focusing on expansion of the transportation and manufacturing sectors.

Economic growth is headed for a sharp slowdown during the next several years. Oil production is at a peak and may actually decline as existing fields are exhausted. At the same time, import demand will continue at a high rate to satisfy the consumer needs of a large expatriate community as well as the government's investment program. Pressure on consumer prices will remain heavy. Moreover, the government must come to grips with a growing foreign debt that already exceeds \$1 billion and siphons off close to 25 percent of export receipts.

CONFIDENTIAL

CONFIDENTIAL

The Copper Producers

Zaire

Zaire was by far the most serious casualty of Africa's postindependence upheavals. In 1960, Kinshasa inherited one of the most advanced economies in Africa, including a well-developed transportation system and a thriving agricultural sector. Management of the economy, however, was dependent on more than 100,000 Belgian businessmen, technicians, and teachers. Seven years of civil strife following independence forced the majority of Belgians to leave. The civil war also caused substantial damage to the road and power network as well as a sharp drop in cash crop production.

With the return of security in 1967, Zaire's economy limped along with foreign support—mostly Belgian—until copper prices took off in the early 1970s. In 1973, Zaire's current account was in the black. The drop in copper prices in 1975, however, combined with high rates of government spending caused a balance-of-payments crisis that has continued to the present. Zaire is in substantial arrears on import payments, its foreign debt has soared, its private credit rating has plunged, and its debt service payments now average 27 percent of export receipts.

The rebel incursion into Kolwezi earlier this year has disrupted Zaire's economic heartland. Copper and cobalt from Shaba provide about two-thirds of Kinshasa's foreign exchange earnings. Even a temporary shutdown in mining operations has serious consequences for the economy, with its precarious foreign payments situation. The temporary mine closures coupled with increasing reluctance among foreign creditors to become more deeply involved in Zaire will make covering this year's financial gap of more than \$500 million harder than ever. Continued debt and import payment problems are expected into the early 1980s.

Zambia

Since independence in late 1964 until copper prices fell in 1975, Zambian GDP growth averaged more than 5 percent annually. Growth, however, was almost entirely due to large increases in government spending on roads, schools, and other infrastructure paid for by soaring copper revenues. At the same time output of basic commodities did not rise appreciably. Little progress was made in increasing the country's agricultural and mineral production primarily because of the extreme scarcity of skilled manpower. Transport and supply problems stemming from the United Nations' trade boycott against Rhodesia also dampened Zambia's economic progress. Traditionally Zambia was dependent on Rhodesia as its major export route as well as for imports of coking coal, food, and consumer goods. Zambia's transportation problems have continued even with the opening of the Tan-Zam Railroad in 1976.

CONFIDENTIAL

CONFIDENTIAL

Recently Zambia has experienced balance-of-payments problems. Low copper prices have reduced export revenues while government spending for the imports needed to keep the modern sector of the economy operating have risen. In order to obtain financial assistance from international organizations, Lusaka had to implement austerity measures including tight controls on government spending and a currency devaluation. These measures assure Zambia of international economic help, but at the expense of reduced economic growth at home.

War Torn Economies

Angola and Mozambique

The output of Angola and Mozambique has contracted since 1975 when these countries became independent from Portugal. Real GDP has declined annually in the postindependence period, by about 7 percent in Angola and 11 percent in Mozambique. The contraction in growth was moderated in Angola by the reopening of foreign-operated offshore oil platforms, which were shut down during the first half of 1976. Estimated offshore oil production in 1978 will be about 75 percent of the preindependence production levels, generating more than \$500 million a year in foreign exchange.

The economic downturns in Angola and Mozambique were caused primarily by the emigration of an estimated 650,000 Portuguese. The Portuguese occupied practically all managerial, technical, and professional positions and made up most of the skilled labor force. Their exodus was triggered by the violence of the transition to black rule, especially in Angola, and the confiscation of most private capital and property. All sectors of both economies have suffered from the shortage of skilled labor, particularly commercial agriculture.

Production of coffee—Angola's leading cash crop—has declined 70 percent, and production of cashew nuts, sugar, and cotton—Mozambique's major export crops—has dropped 20 percent from preindependence levels. Grain imports have grown from about 15 percent, to one-fourth of domestic consumption in the postindependence period.

Output of light manufactures has dropped sharply in both countries. The resulting shortage of consumer goods has led to widespread barter and black market activities. Construction is practically at a standstill following the nationalization of urban rental properties and the flight of most Portuguese architects and investors.

The return to preindependence growth for both countries hinges on their ability to attract foreign aid, investment, and manpower. Prospects for achieving this appear dim in the near term because of escalating insurgency against the Soviet-backed Neto government in Angola and the drive toward

CONFIDENTIAL

CONFIDENTIAL

complete economic socialization in Mozambique. Indeed, Mozambique's financial problems were compounded recently when South Africa ended a gold-for-labor agreement, which had netted Mozambique an estimated \$115 million a year in foreign exchange.

Rhodesia

Real output in Rhodesia has declined an estimated 4 percent since 1975. Despite this, Rhodesia has thus far avoided the severe economic dislocations suffered by Angola and Mozambique because its white entrepreneurial class is generally staying on despite escalating guerrilla warfare. Rhodesian whites continue to enjoy Western-style living standards while unemployment has grown in recent years among blacks who make up the unskilled labor force.

Unsettled political conditions reduced manufacturing and construction—which collectively account for 26 percent of domestic output—by 11 percent and 28 percent, respectively, in 1976. Capital inflows plunged 75 percent that same year as foreign investor confidence flagged. Moreover the mining sector, which accounts for 8 percent of GDP, appears to be faltering for the first time due to weak international demand for chrome, copper, and nickel and to the repeal of the Byrd Amendment, which had allowed US firms to purchase Rhodesian chrome.

Strong economic recovery will not occur until a political solution that is acceptable both to Rhodesia's white entrepreneurial group and to the international community is achieved. Fixed investment will remain depressed until the stability of the government and the intentions of new economic policymakers become clear. Furthermore, food production and the delivery of essential services, which have grown normally in recent years, may begin to deteriorate unless a cease-fire is reached soon.

Ethiopia

Despite the economic consequences of two concurrent wars, Ethiopia's economy is stronger than that of many small countries. War policies have brought gold and foreign exchange reserves down one-third from the alltime high of late 1976. Yet at \$225 million, reserves will finance eight months of current imports—an availability that many LDCs would envy. Exports continue strong, with gains in 1976 and 1977, despite the war and the threat to the ports stemming from guerrilla activities in Eritrea and the Ogaden. Nonetheless, there is a real concern about overdependence on the volatile coffee market for foreign earnings—now almost 80 percent. Although the war has helped accelerate inflation pushing retail prices up 50 percent over two years ago, 90 percent of all Ethiopians are on subsistence, untouched by the happenings in the monetized sector.

CONFIDENTIAL

Should Eritrea be victorious in its struggle for independence, the smaller Ethiopia would continue viable. Eritrea's manufactures—shoes, clothing, processed foods, and matches—could be Ethiopian imports, or Ethiopia could meet needs elsewhere as the country has done during hostilities. For the Eritreans, the cost of independence would be high, with economic gains far off. The "country" would need petroleum, raw materials, food, and capital, but its manufactures, no longer selling in a tariff-protected Ethiopian market, would be hard pressed to compete.

Somalia

Somalia is following business as usual despite its defeat by Ethiopia. More than previously, Somalia is dependent on foreign aid to carry it through. Although the war swelled imports, the overall balance of payments—in the black through most of the 1970s—continued in surplus throughout the war. Grants and official loans first from the Soviets and, after a diplomatic break, from OPEC countries, especially Saudi Arabia, have propped up Somalia's balance of payments. Reflecting aid flows, gold and foreign exchange reserves have been rising, doubling in the seven months from August 1977 to March 1978; they now can finance more than a year's imports.

The Somali economy has traditionally been based on livestock production by nomads. The cash crop is bananas, grown on irrigated plantations. Less than 15 percent of the population is in the modern economy. These have been affected by a 26-percent increase in living costs over the past two years. The war stopped economic development, interrupting domestic services especially in the confiscation of civilian vehicles for military uses. A return to a development effort is a high national priority. An influx of refugees from the Ogaden will add to the surplus of unskilled laborers.

The Least Developed

Gambia, Rwanda, and Upper Volta

Gambia, Rwanda, and Upper Volta represent a sizable group of African countries that face formidable obstacles to development, no matter how stable or well managed. Largely landlocked, these countries suffer from their isolation, paucity of exploitable resources, and poor soil and climate—running the gamut from years of drought to heavy, crop-destroying rains—limited transport infrastructure and small size. Some such as Rwanda face overpopulation problems that are a severe handicap to development. Most are among the 26 countries classified by the United Nations as among the least developed. Export revenues generally are from one agricultural crop, such as peanuts in Gambia (95 percent of exports) and coffee in Rwanda (50 to 60 percent of exports). Prospects for rich mineral discoveries are poor. The

CONFIDENTIAL

CONFIDENTIAL

modern sectors of these countries are small even by African standards, yielding annual turnover at lower rates than many large shopping centers in the United States. Many, particularly across the Sahelian belt, will be forced to seek foreign donations just to meet minimum food requirements for many years to come.

CONFIDENTIAL

CONFIDENTIAL

Table 1
Sub-Saharan Africa: Selected Economic Statistics

	Population Midyear 1978 (Thousand Persons)	Year	Wage Earners (Thousand Persons)	Electric Power Production (Million kWh)	1976 Million US \$		Million US \$ GDP 1976
					Exports f.o.b.	Imports c.i.f.	
Angola	6,449	1975	NA	1,305	1,200 ¹	614 ¹	3,000 ¹
Benin	3,376	1975	50	55	106	264	660 ²
Botswana	750	1975	66	85	176	209	300 ¹
Burundi	4,212		NA	25	58	59	450
Cameroon	8,008		NA	1,347	511	609	2,500 ²
Cape Verde Islands	315		NA	7	3 ¹	31 ¹	50 ¹
Central African Empire	1,912	1974	50 ³	106	80	79	394
Chad	4,289		NA	60	77	98	292
Comoros	317	1977	12	3	10	14	70
Congo	1,464	1968	80	130	220	329	700 ²
Djibouti	180	1977	5	55	20 ¹	74 ¹	65 ¹
Equatorial Guinea	336		NA	17	19 ¹	21 ¹	70 ¹
Ethiopia	29,679	1977	300	500	278	350	2,900
Gabon	571	1975	95	376	1,225	717	2,400
Gambia	568	1975	19	30	55	66	115
Ghana	11,366	1973	400	4,000	804	845	8,000
Guinea	5,898	1975	126	500	240	248	821
Guinea-Bissau	620		NA	17	11	31	112 ¹
Ivory Coast	7,266	1973	220	1,200	1,631	1,296	4,400
Kenya	14,837	1976	858	1,300	787	969	3,200
Lesotho	1,277	1977	28	4	12	15	315 ¹
Liberia	1,733	1975	79	980	460	349	923
Madagascar	8,158	1976	924	465	309	360	1,780
Malawi	5,694	1977	283	315	160	224	715
Mali	6,284	1975	105	105	95	113	590
Mauritania	1,542	1977	40	100	196	215	381
Mauritius	918	1977	290	312	265	359	572
Mozambique	9,866	1972	127	4,600	151	420	2,000 ¹
Niger	4,995	1975	30	70	134	176	454 ¹
Nigeria	68,486	1975	2,180	4,000	10,566	8,199	32,000 ²
Reunion	491		NA	185	62	410	NA
Rhodesia	6,972	1976	1,000	7,500	652 ¹	541 ¹	3,000
Rwanda	4,444	1975	93 ³	142	104	104	603
Sao Tome and Principe	75	1970	22	5	19	9	20 ¹
Senegal	5,380		NA	603	503	663	1,684
Seychelles	62	1977	16	25	6 ¹	33 ¹	29 ¹
Sierra Leone	3,256	1975	62	264	105	124	680 ¹
Somalia	3,388	1978	50	45	85	176	350
Sudan	17,624	1978	870	672	554	980	3,900
Swaziland	526	1975	62	130	280 ¹	264 ¹	2,24 ¹
Tanzania	16,838	1976	457	1,278	490	639	2,400
Togo	2,458	1975	192	110	128	162	525 ¹
Uganda	12,780	1976	358	1,028	320	237	2,807
Upper Volta	6,508	1975	37	57	83	182	644
Western Sahara	117		NA	NA	2 ¹	1 ¹	NA
Zaire	27,080	1971	637	5,112	1,016	1,029	3,590
Zambia	5,471	1974	385	7,190	1,040	798	2,065

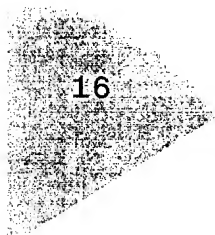
¹ Data for most recent year other than 1976.² Data for 1977.³ Estimate.⁴ Imports 20 million kWh from South Africa.

CONFIDENTIAL

Figure 1

SUB-SAHARAN AFRICA:
Economic Position in Perspective, 1976
Percent of LDC Total

POPULATION



GNP



EXPORTS



AID

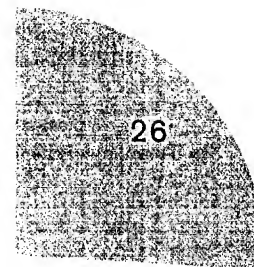
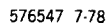


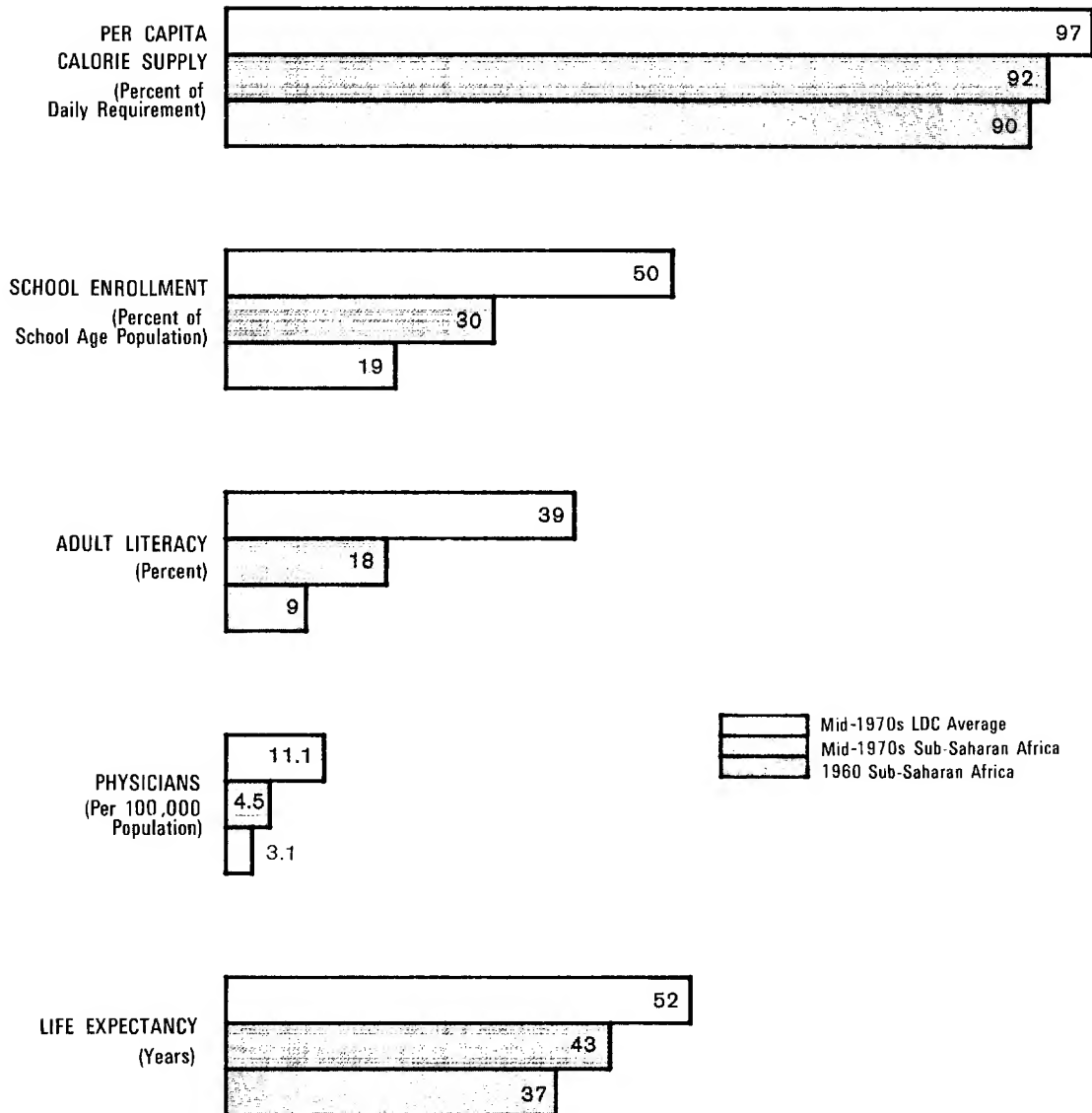
Figure 2



CONFIDENTIAL

SUB-SAHARAN AFRICA: Social Indicators

Figure 3



576545 7-78

30
CONFIDENTIAL

CONFIDENTIAL

SUB-SAHARAN AFRICA:
Real GNP Growth Trends
(Average annual rates)

Figure 4

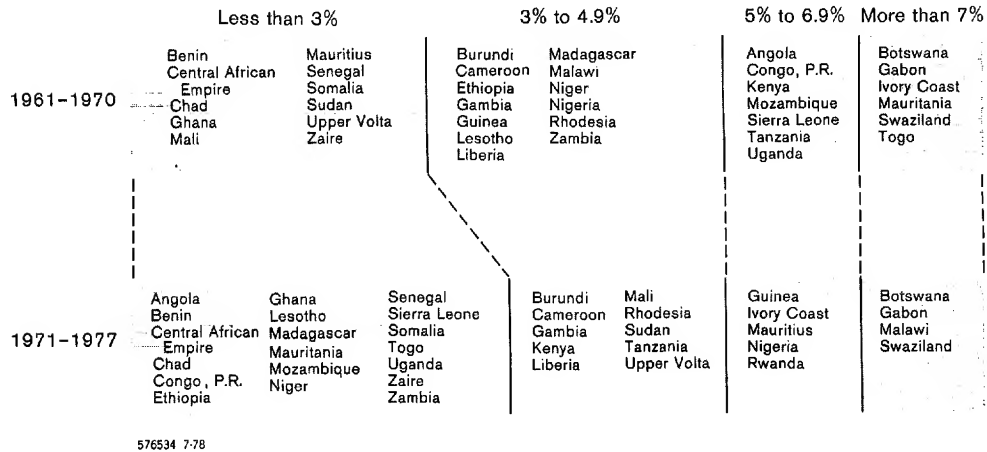


Table 2

Sub-Saharan Africa: Employment Trends in Selected Countries

Size of Wage and Salary Labor Force	Country	Change in Employment Since 1970
More than 1,000,000	Nigeria	Up strongly as a result of the oil boom
500,000 to 1,000,000	Zaire Madagascar Kenya Sudan	Down slightly since 1975 No appreciable change Down slightly No appreciable change
250,000 to 499,999	Ethiopia Ghana Malawi Mauritius Zambia Uganda Tanzania	Probably down since 1973 revolution Down slightly Up steadily Up steadily No appreciable change Down sharply since early 1970s No appreciable change
100,000 to 249,999	Guinea Ivory Coast Mali Mozambique Togo	About the same Up steadily Up slightly Down sharply Up slightly

CONFIDENTIAL

CONFIDENTIAL

Table 3

Sub-Saharan Africa: Urbanization Trends and Population Centers

1960	Trend	1975
Mauritius Seychelles	More than 25%	Congo Ghana Ivory Coast Liberia Mauritius Senegal Seychelles Zaire Zambia
Cameroon Central African Empire Congo Gabon Nigeria Rhodesia Zaire	11-25%	Angola Botswana Chad Equatorial Guinea Ethiopia Guinea Rhodesia Somalia Sudan Benin Cameroon Gambia Gabon Nigeria Sierra Leone Togo
Angola Chad Guinea Mali Togo Upper Volta	5-10%	Cape Verde Islands Comoros Kenya Mali Tanzania Upper Volta Malawi Mozambique Uganda

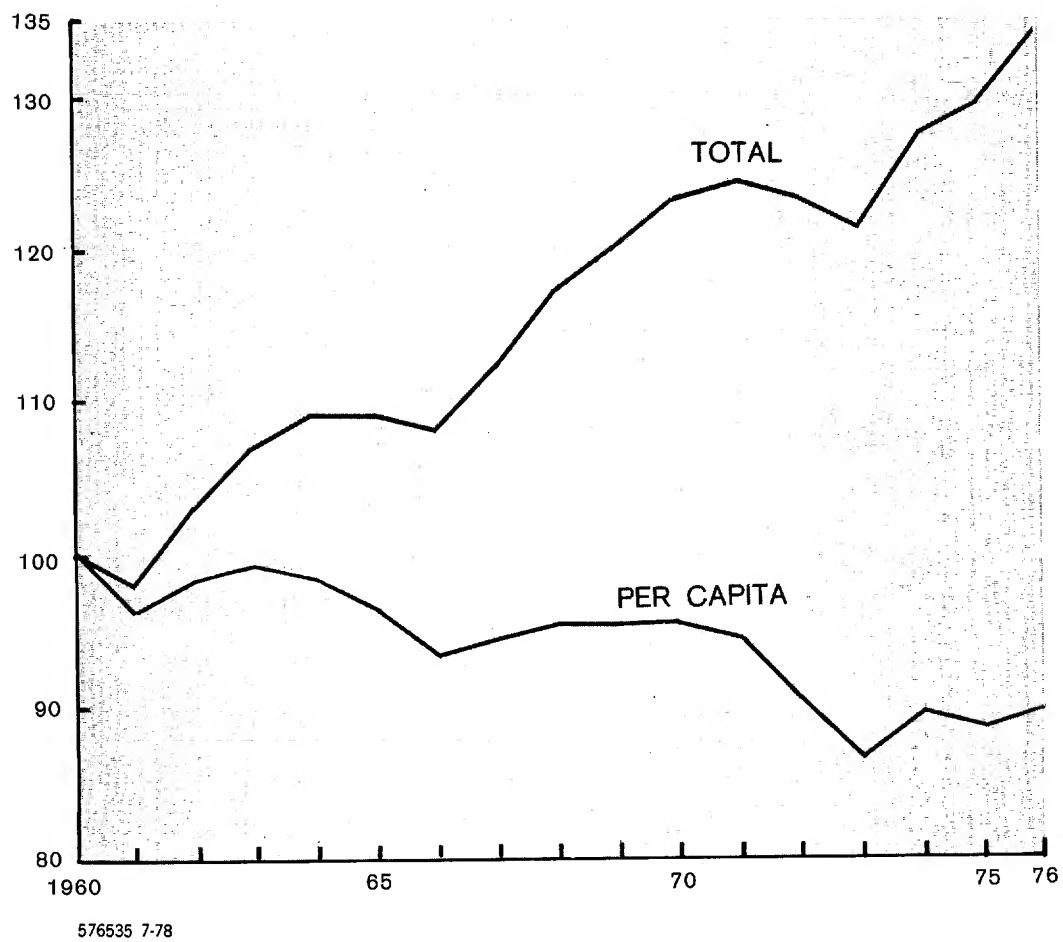
1960	Population Centers	1975
None	More than 1,000,000	Lagos Kinshasa
Ibadan Lagos	501,000- 1,000,000	Accra Addis Ababa Ibadan Kampala Nairobi Abidjan Dakar Kananga Luanda
Accra Dakar Nairobi	250,000- 500,000	Bangui Lusaka Mogadiscio Douala Dar es Salaam Maputo Kumasi

CONFIDENTIAL

CONFIDENTIAL

SUB-SAHARAN AFRICA:
Agricultural Production Trends
Index: 1960=100

Figure 5



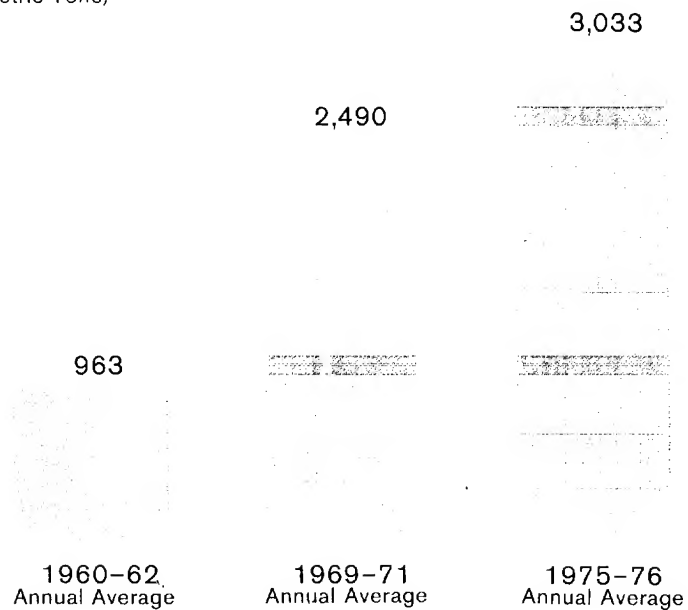
CONFIDENTIAL

CONFIDENTIAL

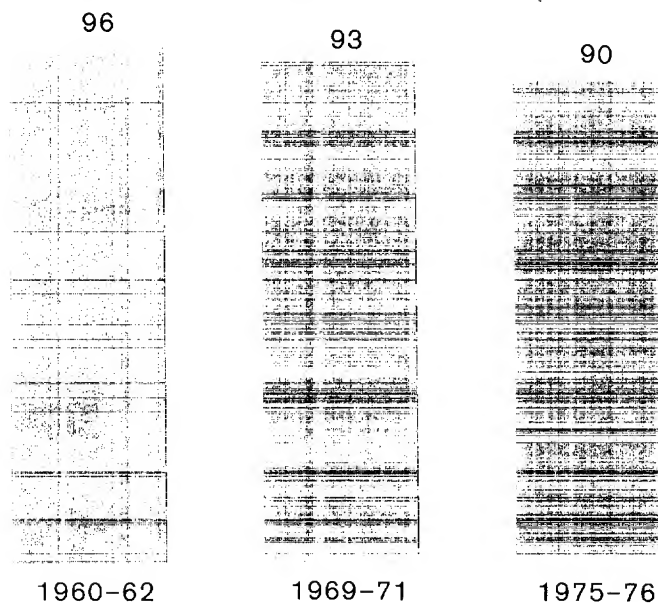
SUB-SAHARAN AFRICA:
Net Grain Imports and Self-Sufficiency

Figure 6

Net Grain Imports
(Thousand Metric Tons)



Grain Self-sufficiency
(Domestic production as a percent of consumption)

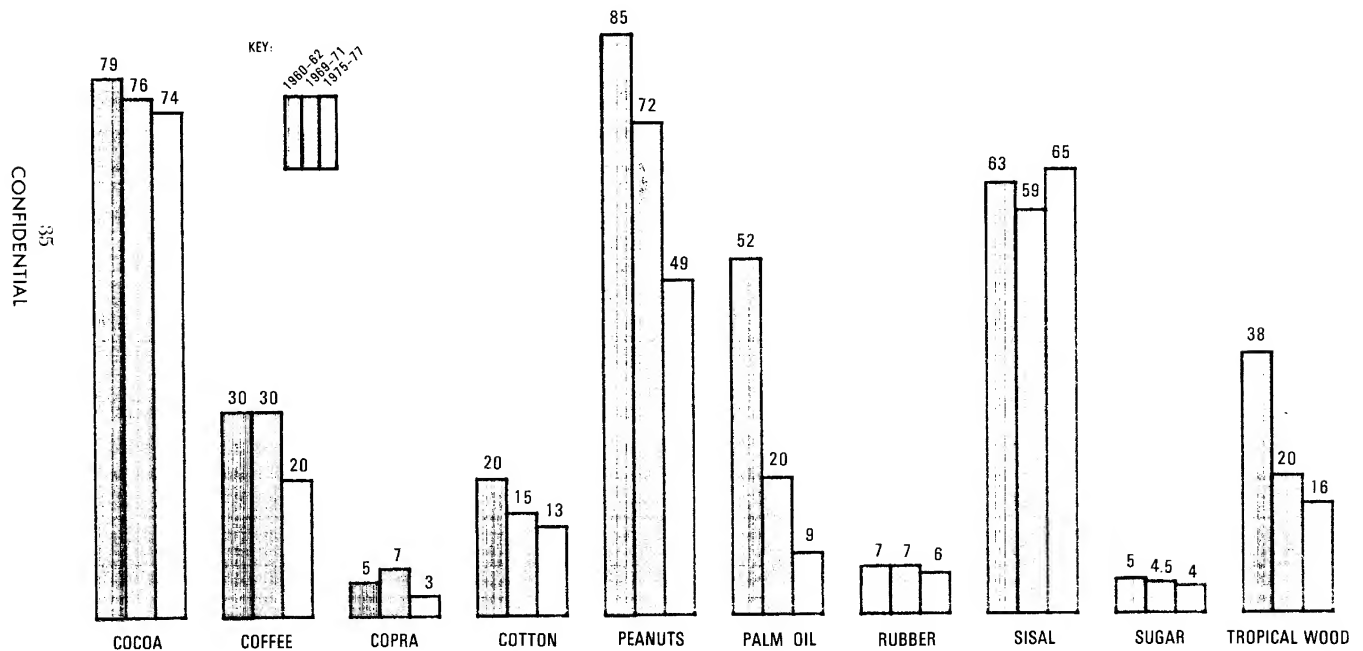


576536 7-78

CONFIDENTIAL

Figure 7

SUB-SAHARAN AFRICA:
Share of World Export Market for Selected Cash Crops
Percent of Total

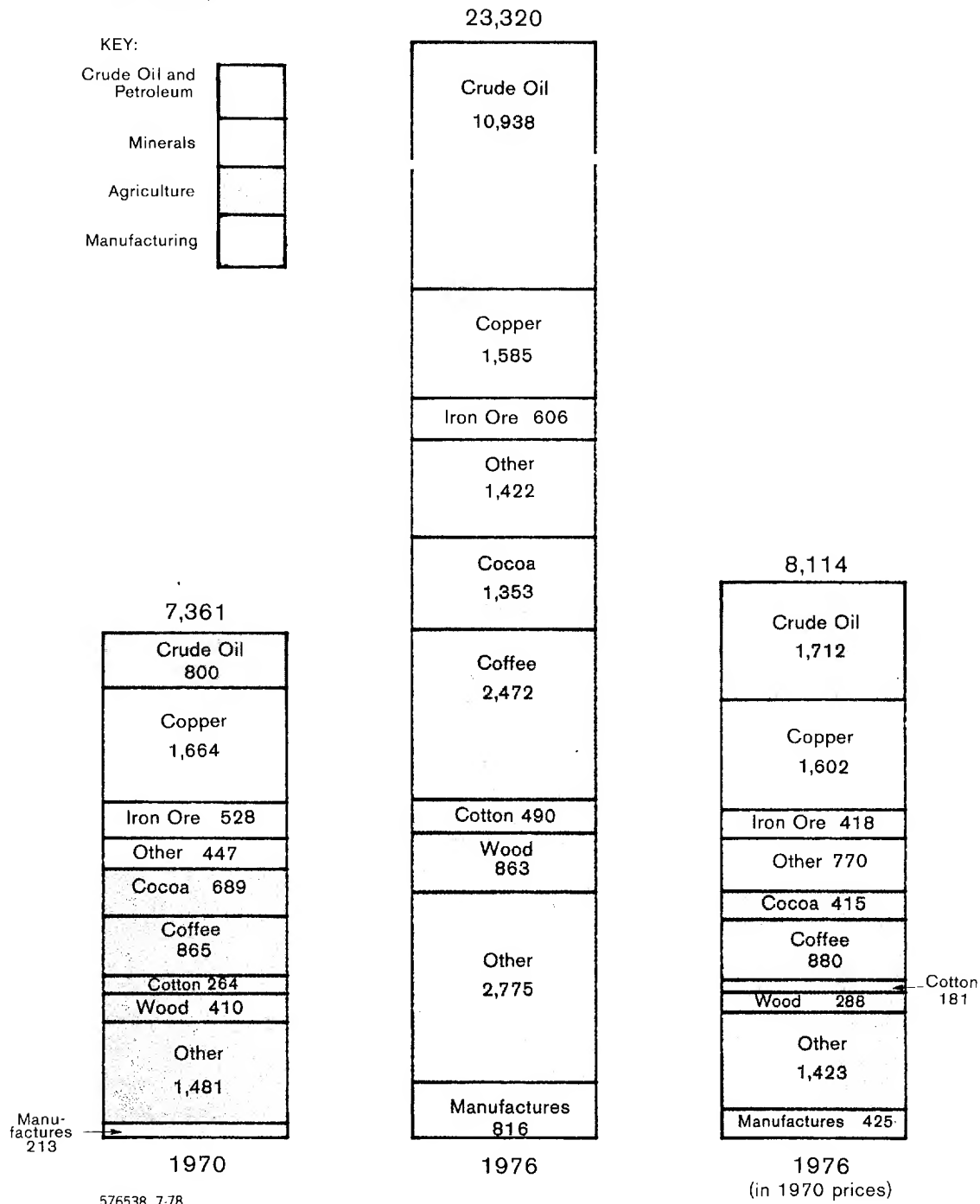


576537 7-78

CONFIDENTIAL

SUB-SAHARAN AFRICA:
Major Export Commodities
Million US \$

Figure 8



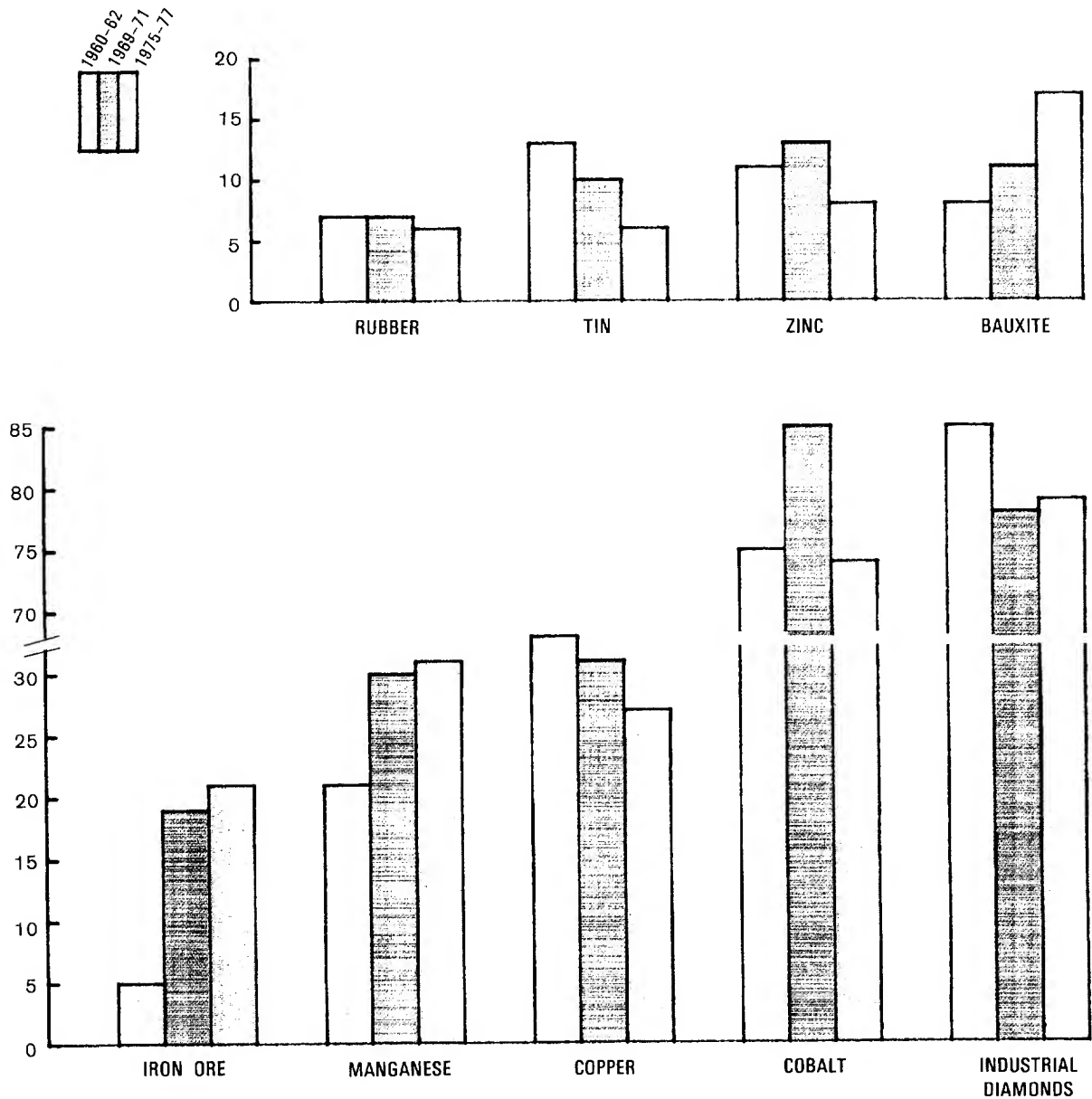
CONFIDENTIAL

CONFIDENTIAL

SUB-SAHARAN AFRICA:
World Export Markets for Primary Products

Figure 9

Percent of Total



576548 7-78

CONFIDENTIAL

CONFIDENTIAL

SUB-SAHARAN AFRICA:
Export Volume Trends, 1971-76
(Average Annual Percent Change)

Figure 10

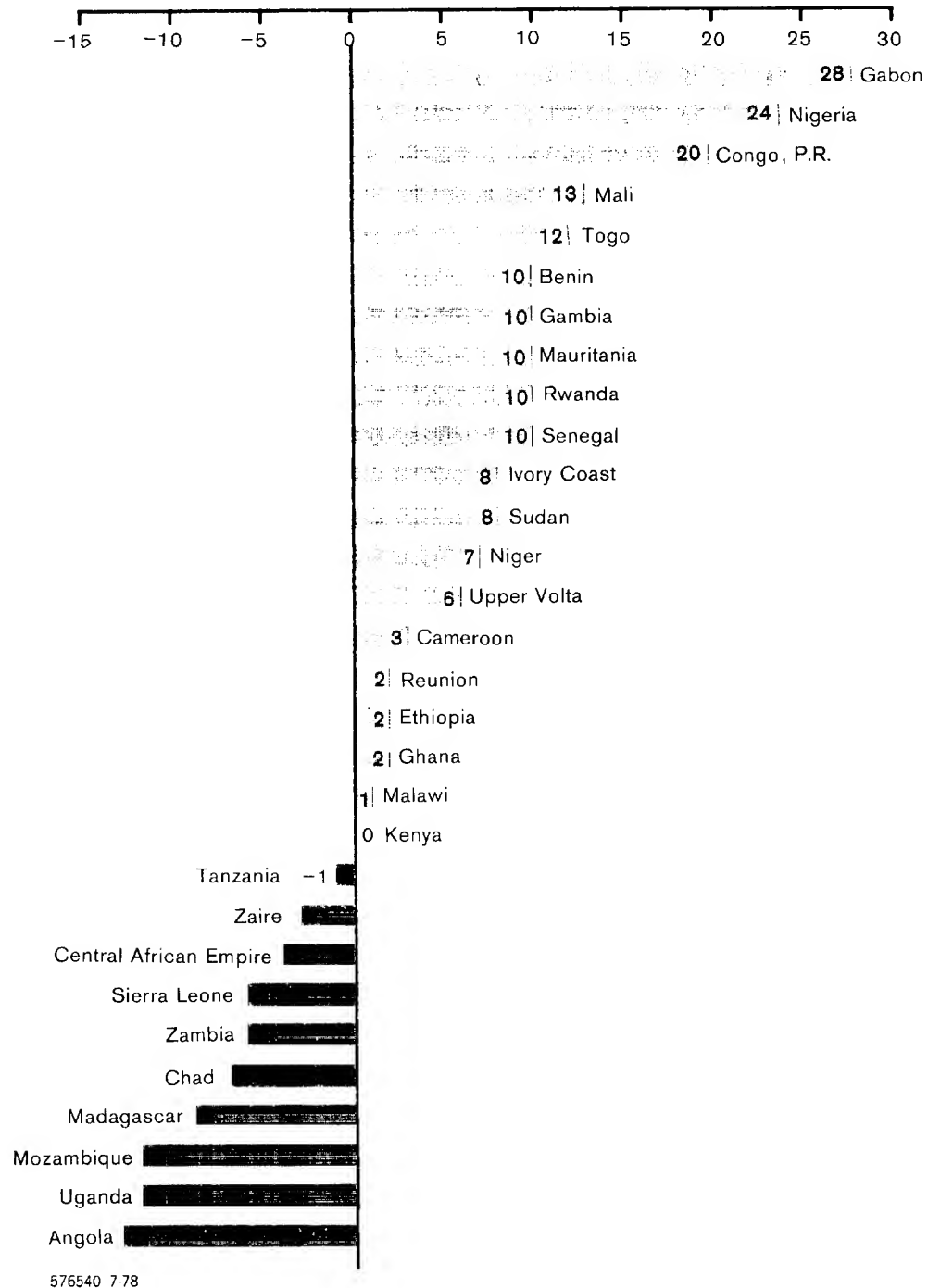


CONFIDENTIAL

CONFIDENTIAL

SUB-SAHARAN AFRICA:
Import Volume Trends, 1971-76
(Average Annual Percent Change)

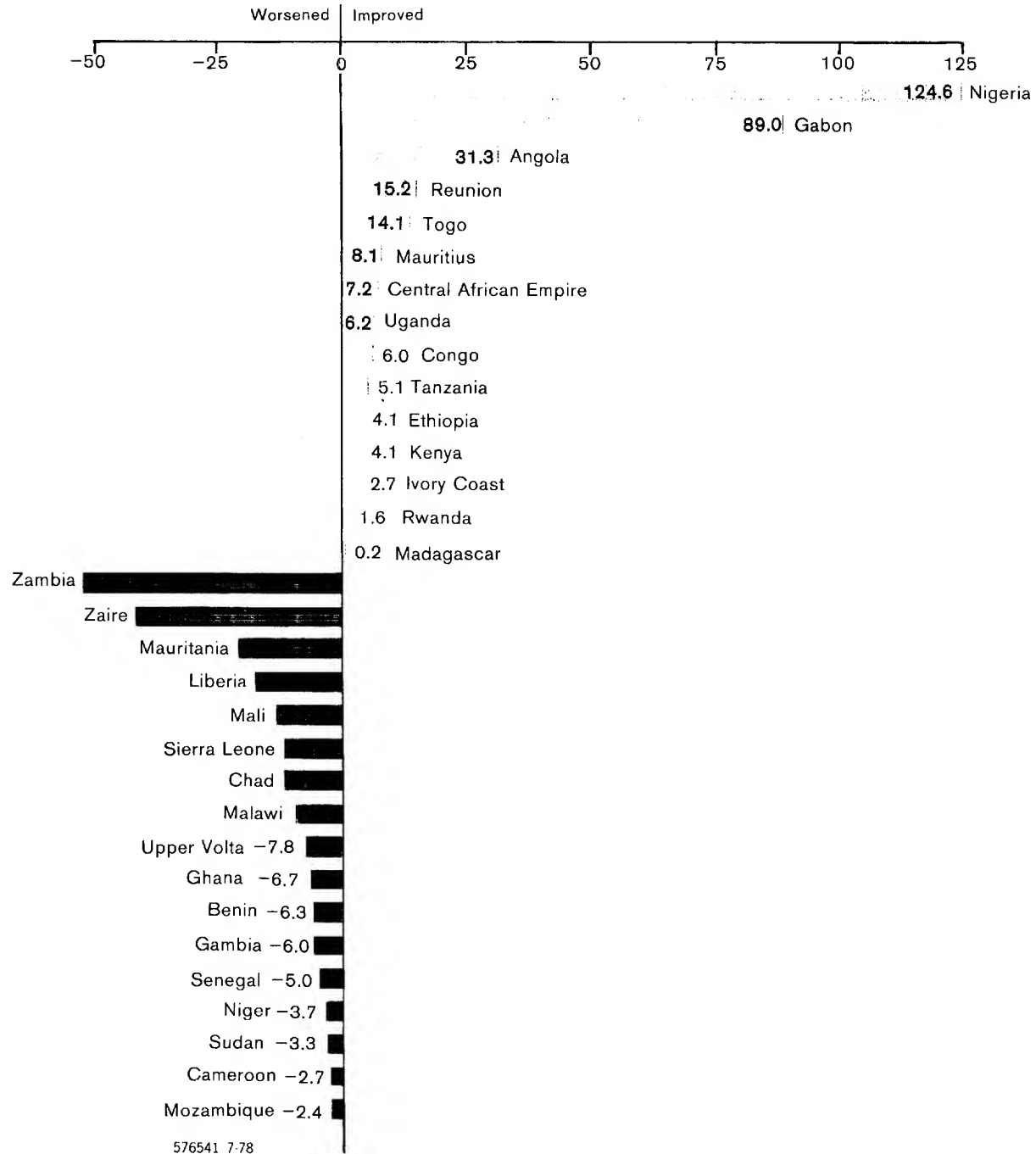
Figure 11



CONFIDENTIAL

SUB-SAHARAN AFRICA:
Terms of Trade, 1971-76
Percent Change

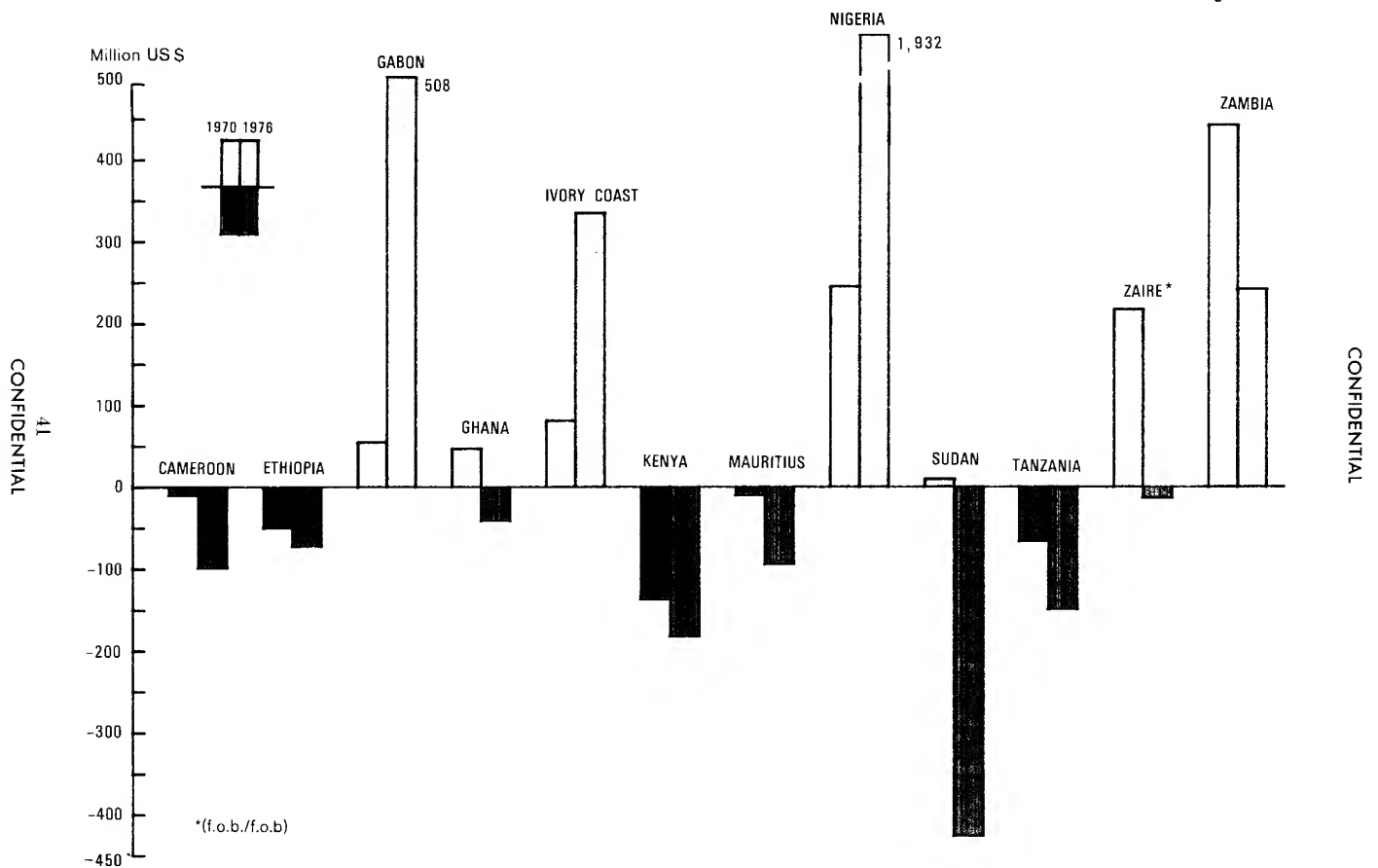
Figure 12



CONFIDENTIAL

SUB-SAHARAN AFRICA:
Selected Trade Balances (f.o.b./c.i.f.)

Figure 13



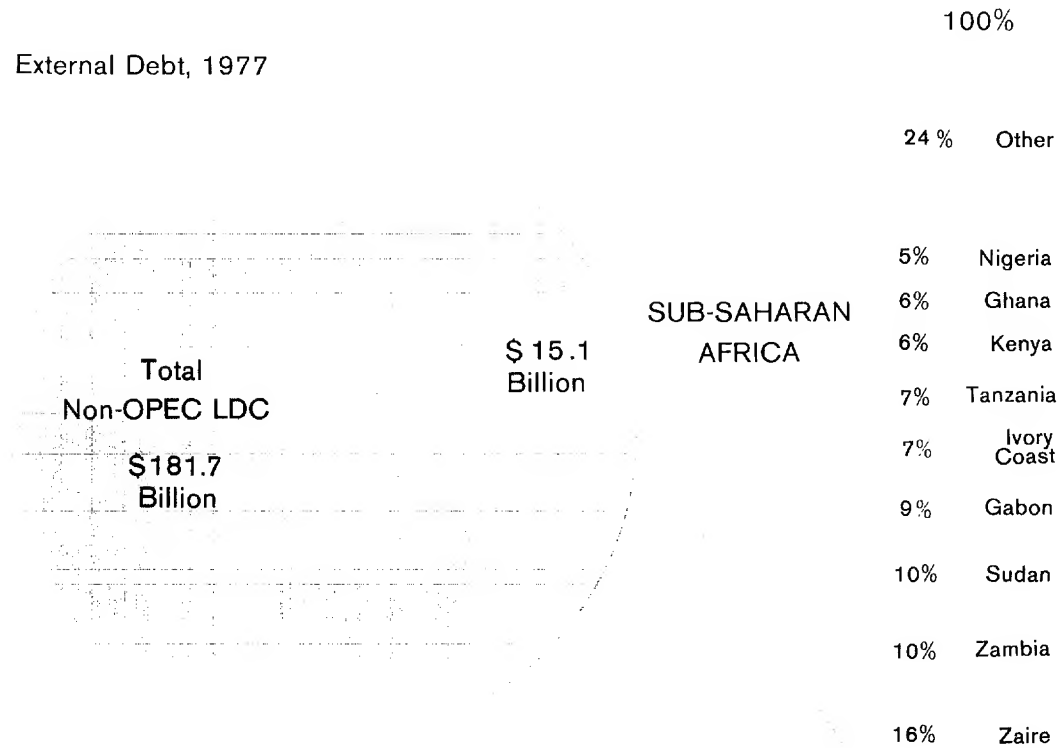
576549 7-78

CONFIDENTIAL

Figure 14

SUB-SAHARAN AFRICA:
External Debt Position

External Debt, 1977



Debt Service Ratio*, 1977

Less than 10%		10-15%	More than 15%
Cameroon	Gambia	Ivory Coast	Zaire
Congo, P.R.	Botswana	Sierra Leone	Sudan
Ghana	Lesotho	Somalia	Gabon
Mauritius	Swaziland	Zambia	
Senegal	Malawi	Niger	
Togo	Rwanda		
Benin	Tanzania		
Central African	Kenya		
Empire	Uganda		
Chad	Nigeria		

576542 7-78

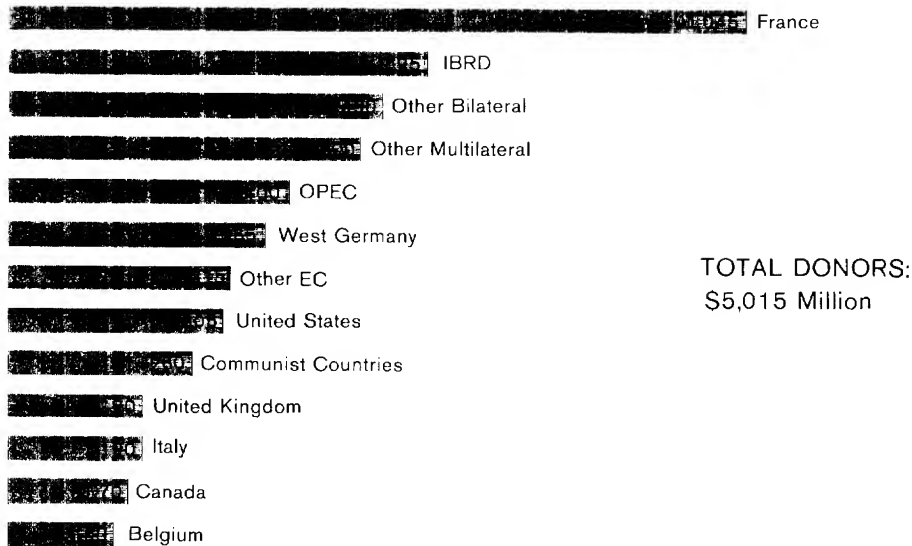
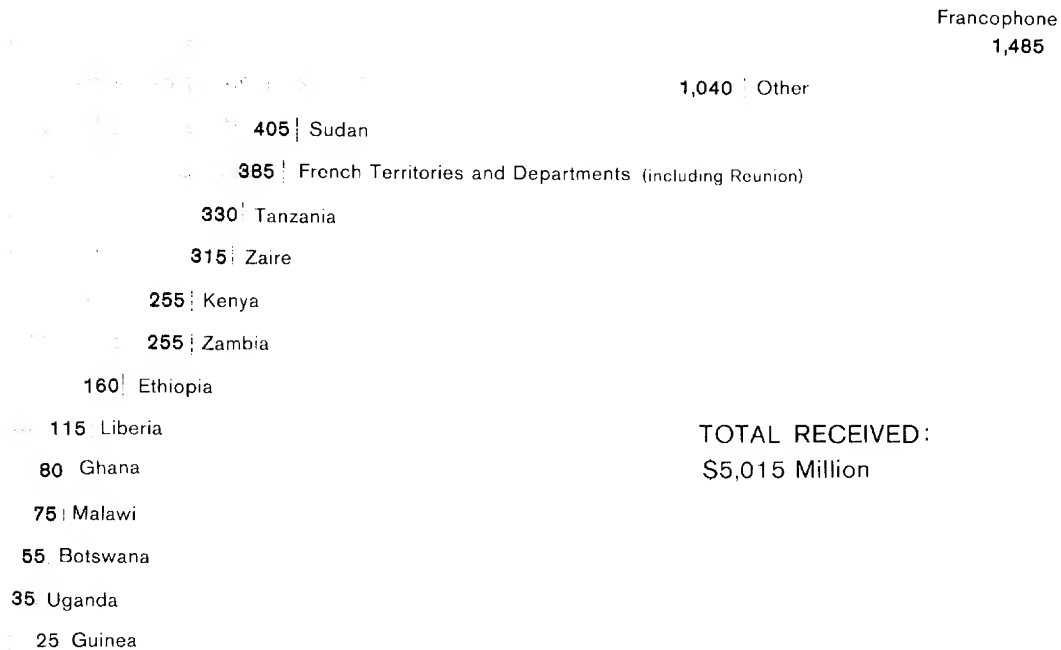
* Debt service as a percent of exports of goods and services

CONFIDENTIAL

CONFIDENTIAL

Figure 15

SUB-SAHARAN AFRICA:
Major Foreign Aid Recipients and Donors, 1976*



*Gross disbursements including ODA and other official flows.

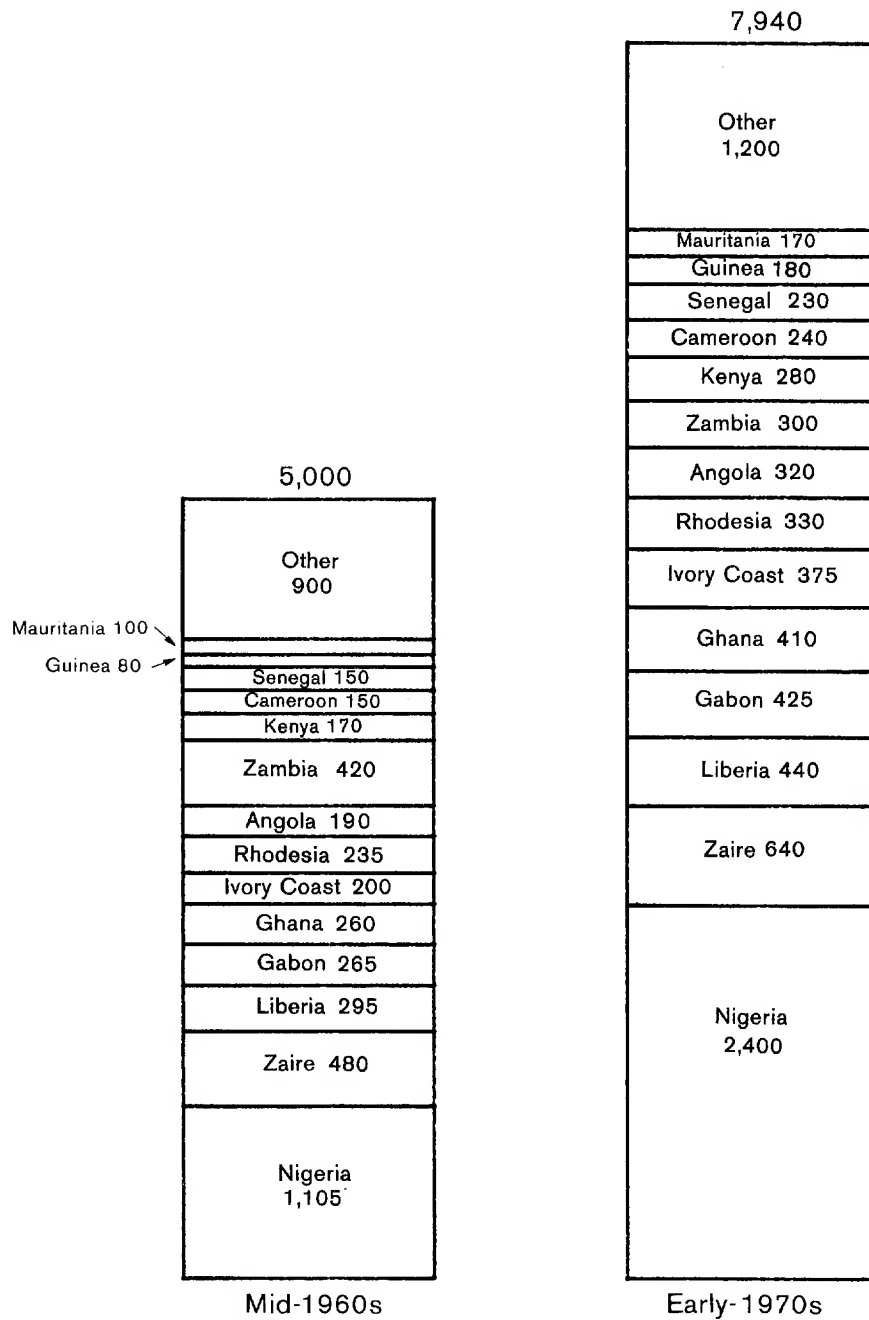
576544 7-78

CONFIDENTIAL

CONFIDENTIAL

Figure 16

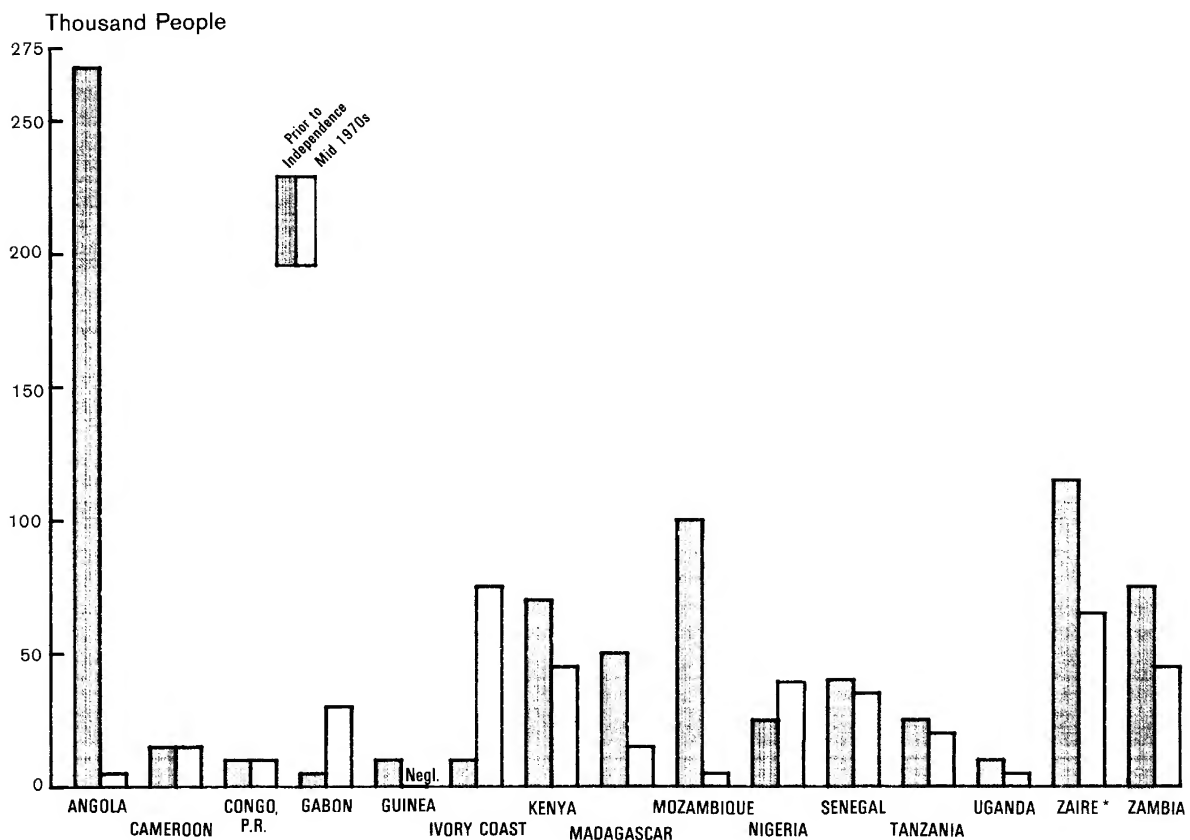
SUB-SAHARAN AFRICA:
Change in the Stock of Foreign Private Investments
Million US \$



576543 7-78

Figure 17

SUB-SAHARAN AFRICA:
European and American Populations in Selected Countries



*Prior to Shaba Province disturbances in 1978; total number of whites may have fallen by a few thousand.

576546 7-78

Secret

Secret